



# CanopyStyle Audit Report

for Nanjing Chemical Fiber Co., Ltd.

Assessment 2023

Evaluation date: 10 June 2023 & 29 May 2024

Report date: 13 June 2024

## Organisation Contact

### **Nanjing Chemical Fiber Co., Ltd.**

No. 2 Yuzhuang RD, Liuhe DST, Nanjing City, Jiangsu  
Province, China

Contact person: Ms. Ping Kai

Tel: 025-57518653

Email: 545044095@qq.com

## Audit managed by

### **Preferred by Nature FMBA**

Copenhagen, Denmark

Contact person: Peiyong Zhou

Tel: +86 13811174594

Email: pzhou@preferredbynature.org

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## INTRODUCTION

Preferred by Nature (former name: NEPCon) is an international, non-profit organisation that delivers sustainability services and engages in innovation projects to facilitate the transformation of business practices and consumer behaviour to promote the responsible use of natural resources. Around 1,300 Chain of Custody-certified clients benefit from our over 15 years of experience in providing services to the forest supply chain sectors – including timber processing and manufacturing companies, printing houses, publishers, paper merchants, traders and retailers of all sizes.

Through a well-developed network of regional representatives and contractors, Preferred by Nature offers timely and cost-effective certification services around the world.

The purpose of this report is to document performance of *Nanjing Chemical Fiber Co., Ltd* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 2021 version<sup>1</sup>) and related guidance documents<sup>2</sup> developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>3</sup> and the over 500 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from Ancient and Endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

The audit presents the findings of Preferred by Nature auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy's map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk, as well as further guidance document such as the Dissolving Pulp Classification Tool and the Advice Note on Ancient and Endangered Forests<sup>4</sup>.

Dispute resolution: If Preferred by Nature clients encounter organisations or individuals having concerns or comments about Preferred by Nature services, these parties are strongly encouraged to contact the relevant Preferred by Nature regional office or any member of the Preferred by Nature Chain of Custody Programme. Formal complaints and concerns should be sent in writing.

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<sup>1</sup> <https://canopyplanet.org/wp-content/uploads/2021/02/CanopyStyle-Audit-Guidelines-and-Verification-Framework-ENG-CHN.pdf>

<sup>2</sup> <https://canopyplanet.org/resources/canopystyleaudit/canopystyle-audit-guidelines/>

<sup>3</sup> Current members of this group are H&M, M&S, Inditex/Zara, EILEEN FISHER, Stella McCartney and Canopy

<sup>4</sup> <https://canopyplanet.org/wp-content/uploads/2019/10/AdviceNoteCanopyStyleAudits.pdf>

# 1. GENERAL DESCRIPTION

## 1.1 Company overview

Nanjing Chemical Fiber Co., Ltd (hereafter “Company”) was established in 1964 and listed in Shanghai Stock Exchange in 1994. The biggest shareholder is Nanjing city government. The company focuses on manufacturing man-made cellulosic fibre for the textile industry. The fibre material is dissolved pulp from external producers. Their products include man-made cellulosic fabrics, trademarked man-made cellulosic brands and non-woven man-made cellulosic fibres marketed globally to clothing manufacturers.

Since 2014, the company has been using Lyocell technology on a limited basis. Since last audit, the company has fully transformed the mill of viscose filament yarn located in Nanjing to lyocell mill. The name of lyocell mill is Nanjing Golden Antelope Bio based Fiber Co., Ltd. Given that Nanjing Golden Antelope Bio Based Fiber Co.,Ltd has not been put into operation during this audit reporting period, this audit does not cover this mill.

Another mill (Jiangsu Jinling Cellulose Fiber Co., Ltd.) is located in Dafeng city, Jiangsu province and producing rayon staple.

Nanjing Chemical Fiber Co., Ltd prides itself on its environmental sustainability and corporate social responsibility policies. They are participating in the CanopyStyle Initiative and as recognition of their commitment are undergoing this evaluation.

## 1.2 Company scope (sites, locations, etc)

Name/Description of sites	Location
<b>Headquarter:</b> Nanjing Chemical Fiber Co., Ltd. (headquarter)	No.2, Yuzhuang Rd. Liuhe Dist., Nanjing City, Jiangsu Province, China
<b>Mill 1:</b> Jiangsu Jinling Cellulose Fiber Co., Ltd. (rayon staple)	South of Wangan Port Dafeng dist. Yancheng City, Jiangsu Province, China
<b>Mill 2:</b> Nanjing Golden Antelope Bio based Fiber Co., Ltd (lyocell fiber)	No. 2, Yuzhuang Rd, Guabu Town, Liuhe Dist. Nanjing City, Jiangsu Province, China

The company’s headquarters is an office with centralized sourcing and sales function located in Nanjing with detail address No.2, Yuzhuang Rd. Liuhe Dist., Nanjing City, Jiangsu Province, China. Company has two mills:

- One in Nanjing and is located at No.2 Yuzhuang Rd, Guabu Town, Liuhe Dist, Nanjing City, Jiangsu Province China. This mill has 258 staff in total.
- The other mill of the company is located South of Wangan Port Dafeng dist. Yancheng City, Jiangsu Province, China. This mill has 282 staff in total.

## 1.3 Company sourcing policy

Nanjing Chemical Fiber Co., Ltd released a Pulp Procurement Policy Statement in November 2015 which is publicly available on its website: <http://www.viscosefibre.com/purchase.asp>

Nanjing Chemical Fiber Co., Ltd., is committed to building a more sustainable global pulp supply chain and commit to not purchasing raw materials from ancient and endangered forests and other controversial sources and to ensure that all sources of the company's procurement of wood pulp is lawful and traceable, see policy for full outline of commitments.

The Company committed to:

- Conserve Ancient and Endangered Forests and intact forest landscapes
- Recognize, respect and uphold human rights of communities
- Develop innovative and alternative fibre programme
- Advocate for conservation solutions
- Promote forest certification
- Transparency, traceability and verification
- Reduce greenhouse gas footprint
- Prevent pollution
- Enhance communication of their support for Ancient and Endangered forests.

## 2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input type="checkbox"/> Single	<input checked="" type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	Since January 2022, dissolving pulp has been sourced from 5 suppliers. No other fibre material is used.	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: Ancient and Endangered Forests map overlays were not completed.
Mill Capacity:	<ul style="list-style-type: none"> <li>• Rayon staple 80,000 tons/year in Dafeng city</li> <li>• Lyocell fibre 40,000 tons/year in Nanjing city</li> </ul>	
Primary Activity:	Viscose production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 500	Permanent female: 248
	Contract male: 0	Contract female: 0
	TOTAL: 748	

Sites included in this evaluation	Location
Jiangsu Jinling Cellulose Fiber Co., Ltd. (visited in June 2023)	South of Wangan Port Dafeng dist. Yancheng City, Jiangsu Province, China
Nanjing Golden Antelope Bio based Fiber Co., Ltd (visited in May 2024)	No. 2, Yuzhuang Rd, Guabu Town, Liuhe Dist. Nanjing City, Jiangsu Province, China

### 3. EVALUATION PROCESS

#### 3.1 Audit Team

Auditor name(s)	Qualifications
Zhao Gaojun	Senior Sustainability Specialist at Preferred by Nature; CanopyStyle auditor. FSC FM/CoC lead auditor; LegalSource auditor and trainer; Majored in forestry and has more than 15 years of experience in the fields of sustainable forest management, timber legality verification and sustainability of natural resources.
Zhou Peiying	Responsible Sourcing Specialist; CanopyStyle auditor; Qualified LegalSource auditor; Experienced in mainstream sustainability practises including sectors of pulp/paper, textile and timber, etc. Rich experience in timber legality related projects, especially in EUTR, FLEGT Action Plan (VPAs) related activities. Adequate knowledge and understanding in international timber legality requirements.

### 3.2 Audit Overview

Site(s)	Audit type	Audit date	Total on-site audit time (Hours)	Auditor
Corporate Office	Desktop audit	10 <sup>th</sup> June, 2023	8 h	Zhao Gaojun
Viscose mill 1 (Dafeng city)	Onsite audit	20 <sup>th</sup> June, 2023	6 h	Zhao Gaojun
Lyocell mill	Onsite audit	29th May, 2024	4 h	Zhou Peiying

**Note:** more details about audit process are provided in a separate audit plan.

### 3.3 Description of Overall Audit Process

#### Desktop audit to the corporate office:

The audit officially started in May 2022. The auditor started contacting the company by requiring relevant documentation based on the latest CanopyStyle audit framework and guidelines. A generic list of documents was shared with the company.

The Company sent over a number of documents such as company’s introduction, organizational chart, sourcing policy, contract template with suppliers, third-party certification, training plan, suppliers assessment based on Classification tool, dissolving pulp COC procedure, communication with suppliers on sourcing requirements. etc.

The auditor reviewed all documents provided by the company and communicated and cross-checked with the Company over any issues and questions occurred during the review process.

The formal opening meeting and interviews with management team and relevant staff were conducted on 10<sup>th</sup> June 2023 via video conference. The meeting was attended by the company’s vice general manager, sourcing manager, R&D department manager, Safety and environment manager. The company’s representative gave an introduction of the company, including changes happened since last audit, status quo and plan in next coming years, material sourcing, alternative fibre innovation, new technology development, sourcing of certified pulp, carbon reduction, etc. as well as challenges. The auditor interviewed the key staff one by one and asked the relevant questions on the list prepared before the meeting.

In the meantime, auditor shared major findings from reviewing of the documentation and also raised issues and requests for additional further information to the Company’s corporate office. The Company provided further required additional documentation at a later stage as well as responded to some of the major concerns, such as signed contract, sampled purchase documents of certified and non-certified pulp; evidence of risk assessment. Details please refer to the report findings.

#### Onsite visit to viscose mill - Jiangsu Jinling Cellulose Fiber Co., Ltd.

In the morning of 20<sup>th</sup> June 2023, the auditor started the onsite audit of this mill with an opening meeting with the presence of top management and the key staff, including the

staff at corporate office. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were introduced by the auditor. Also, the deputy general director of this mill gave a brief introduction of the mill and operation activities. For example, its annual capacity is 80,000 tons with 2 production lines. Currently only 1 production line is operating because of low market demand.

Following the opening meeting, the auditor interviewed the management team on the practices and strategic plan on canopy policy commitment.

After interviews, related documents were reviewed, such as Wood Fibre Sourcing Policy and operational procedures, raw material receiving and use records, samples and stock-in and stock-out notes, training plan and records, etc.

Then, the auditor toured the company's the mills including the production line and warehouses.

In combination with reviewing documents and visiting the company's facilities, the auditor interviewed the staff from different divisions: production, warehouse, safety and environment, etc.

The closing meeting was held with the presence of the management team. During the meeting the main findings at the mill were presented and explained to the Company. Additional evidence documents again was required for further evaluation.

After one week from the on-site visit, the company sent over their last batch of documents accordingly.

Onsite audit to the lyocell mill - Nanjing Golden Antelope Bio based Fiber Co., Ltd

In the morning of 29<sup>th</sup> May 2024, the auditor started the onsite audit of this mill with an opening meeting with the presence of top management and the key staff, including the staff at corporate office. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were introduced by the auditor. Also, the deputy general director of this mill gave a brief introduction of the mill and operation activities. For example, its annual capacity is 40,000 tons with 2 production lines. Currently the actual capacity is 20,000 tons.

Following the opening meeting, the auditor interviewed the management team on the practices and strategic plan on canopy policy commitment.

After interviews, related documents were reviewed, such as business registration, related SOP in the mill, training plan and records, etc.

Then, the auditor toured the company's the mills including the production line and warehouses.

In combination with reviewing documents and visiting the company's facilities, the auditor interviewed the staff from different divisions: production, warehouse, R&D, etc

The closing meeting was held with the presence of the management team. During the meeting the main findings at the mill were presented and explained to the Company. Additional evidence documents again was required for further evaluation.

After one week from the on-site visit, the company sent over their last batch of documents accordingly.



## 4. EVALUATION RESULT

### 4.1 Evaluation Conclusion

#### Positive Findings:

The Company has been implementing the sourcing policy in line with CanopyStyle initiative.

A standard operation procedure (SOP) has been developed by the HQ to implement the Policy as well as monitor the suppliers' performance. The standard operation procedure is shared with the mills.

The Company has also developed capacity as well as organizational structure in implementing the Policy. Management team as well as the production site managers are trained how implement the policy and procedure.

The Company keeps communicating about this policy with all suppliers. Since last audit, the company has included requirements to implement policy in purchase contract template with suppliers.

The dissolving pulp suppliers list was made public on the Company's official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group.

The Company gives preference to FSC certification and has significantly increased the purchase volume of FSC certified pulp, including FSC 100% pulp.

The company has a good track record of all pulp purchased, received, used and in stock.

The Company is collaborating with university in developing lyocell fiber by using recycled fiber.

#### Areas for Improvement:

The Company has developed the internal control procedure for dissolving pulp sourcing for the implementation of Pulp Procurement Policy, however, this procedure does not include some required aspects, for example:

- Risk assessment of legality, violation of human rights and conversion of natural forests to plantations (1994 date), use of Genetically Modified Organisms.
- Evaluating of supplier's performance in GHG reduction.
- Evaluating whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.

The company has not established a complete system to monitor supplier conformance with the Pulp Procurement Policy to cover requirements from CanopyStyle, such GHG reduction, no sourcing from tropical peatlands and/or intact forest landscapes.

The grievance procedure is not clearly applicable to grievances regarding the overall procurement policy related to this CanopyStyle, because the Company's non-conformance and grievance procedure was developed based on ISO 9000 requirement that focuses on product quality.

The Company has included requirements to implement policy in purchase contract template with suppliers. So far, it has been used for all suppliers.

For the suppliers covered in Dissolving Pulp Classification Tool, the content in the company's risk assessment are copied from Dissolving Pulp Classification Tool, without additional evidence (except FSC certificates from pulp suppliers) and assessment. No information about the forest/plantation is provided, such as forest map or geo-location or list of forest management units. It is unknown how the risk associated with the company's specific sourcing is assessed and the low risk conclusion is justified, especially for the suppliers with potential risk identified or the one that is not evaluated by Canopy Dissolving Pulp Classification Tool.

The Company has given preference to FSC certification, however, did not provide a time-bound action plan to increase FSC intake.

Canopy shared an advice note (effective 1 June 2019) that introduces a new tool (Dissolving Pulp Mill Classification) to be used in addition to the Forest Mapper when conducting risk assessments for sourcing from Ancient and Endangered forests. The new tool outlines commonly used dissolving pulp mills and a determination of risk considering priority Ancient and Endangered forests. Below please find the results comparison between the company internal risk assessment conducted in 2022 and 2023 and the Canopy Dissolving Pulp Classification Tool:

Note: According to the Company, risk assessment is conducted on a yearly basis (at beginning of each year). Currently the risk assessment results provided during this audit is meant for the year 2022 and 2023.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
OJI PAPER CO., LTD. YONAGA MILL	Low risk. The origin of their chips are their plantation.	<b>Potential risk</b> due to the origins locate in proximity to tropical rainforests and ownership connection with Asia Pulp and Paper.
SAPPI, Ngodwana mill and Saiccor Mill in South Africa	Low risk	<b>No sourcing issues</b> identified based on current information and/or CanopyStyle audit.
Shandong Sun Honghe Paper	Low risk. Eucalyptus from Australia	Further verification required
Arauco Valdivia mill	Low risk. Eucalyptus from Chile	<b>Potential risk.</b> It has been documented that several Mapuche communities in Chile have been in conflict with forestry companies over logging and plantations on their customary lands. It is unclear whether these issues have been resolved between the Mapuche and Arauco.
LD CELULOSE S.A.	Low risk. Eucalyptus from Brazil	No sourcing issues identified based on current information and/or CanopyStyle audit.
COSMO SPECIALITY FIBERS	Low risk. Tsuga heterophylla, Pseudotsuga	No Ancient and Endangered Forest sourcing issues identified based on

	menziesii, Abies spp from the US	current information and/or CanopyStyle Audit.
AustroCel Hallein GmbH	Spruce from Austria	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit. However, the mill has lost its FSC certificate and cannot sell FSC-certified products.

## 4.2 Summary of findings

Rating	Color
Not Applicable	
Commitment Met	
Commitment in Progress	
Commitment Not Met	
Insufficient Information Available	

\*\* Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy **	<i>Commitment Met</i>
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	<i>Commitment in Progress</i>
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	<i>Commitment Met</i>
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<i>Commitment Met</i>
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	<i>Commitment Met</i>
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment in Progress</i>

	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<i>Commitment in Progress</i>
	1.8 The MMCF producer has put in place a grievance procedure.	<i>Commitment Not Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Commitment Met</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment Met</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment in Progress</i>
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment Not Met</i>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment in Progress</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment Not Met</i>
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre	<i>Commitment in Progress</i>

	1994, or post 1994 with a supporting valid FSC certificate. **	
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as “ancient & endangered forests”, “intact forest”, “natural forest”, “endangered species”, “controversial sources”, “high conservation value”, “high carbon area”, “peatlands”, etc. that are consistent with this document and the forest sourcing policy template. **	<i>Commitment Met</i>
	4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	<i>Commitment Not Met</i>
	4.3 Any raw materials in the MMCF producer’s supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	<i>Commitment Met</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<i>Commitment Met</i>
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<i>Commitment in Progress</i>
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers’ suppliers are identified and the forest of origin is known. **	<i>Commitment in Progress</i>
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	<i>Commitment in Progress</i>
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<i>Commitment Met</i>
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, the Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<i>Not Applicable</i>

<p>*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may excute the conservation planning and FSC certification themselves)</p>	<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	<p><i>Not Applicable</i></p>
	<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **</p>	<p><i>Not Applicable</i></p>
	<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **</p>	<p><i>Not Applicable</i></p>
	<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **</p>	<p><i>Not Applicable</i></p>
<p>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the</p>	<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **</p>	<p><i>Commitment Met</i></p>

<p>operations of their supply chain and affiliated companies in the forestry sector</p> <p>Note: This audit focuses on only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.</p>		
	<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **</p>	<p><i>Commitment in Progress</i></p>
	<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization</p>	<p><i>Commitment in Progress</i></p>

	(ILO) Declaration on Fundamental Principles and Rights at Work.	
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer 's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **	<i>Commitment in Progress</i>
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment in Progress</i>
	8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<i>Commitment Not Met</i>
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	<i>Commitment Not Met</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Not Applicable</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<i>Not Applicable</i>
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment Not Met</i>



	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment Not Met</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment in Progress</i>
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> verify the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at <a href="https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released">https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</a></p>	<i>Not Applicable</i>

#### 4.3 Volume Summaries<sup>5</sup>

Period: 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022 (viscose mill)

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	3,977	17.64%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	3,101	13.76%
Non-FSC	Material received with no FSC claim.	15,462	68.6%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0
Total		22,540	

<sup>5</sup> The volume summary is provided by the organization.

Period: 1<sup>st</sup> January 2023 to 31<sup>st</sup> May 2023 (viscose mill)

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	5,011	31.2%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	4,441	27.64%
Non-FSC	Material received with no FSC claim.	6,610	41.16%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0
Total		16,062	

Period: 1<sup>st</sup> January 2022 to 31<sup>st</sup> May 2024 (Lyocell mill)

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	3170	55.04%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	0
Non-FSC	Material received with no FSC claim.	2089	36.27%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	500	8.68%
Total		5759	

## Appendix A: standard checklist (CanopyStyle Verification Framework – Corporate Sourcing)

### 1. Evaluation of Site: Corporate Office

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Ms. Ping Kai, Safety and environment department
<b>Auditor(s):</b>	Mr. Gaojun Zhao
<b>People Interviewed, Titles:</b>	Mr. Yue Ping, sourcing manager Mr. Li Xiang, vice manager Mr. Zhong Mingji, R&D department Ms. Ping Kai, Safety and environment department
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b> The Company's Corporate Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill.	

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company published the pulp procurement policy in relation to Canopy on its website: <a href="http://www.viscosefibre.com/xxgk/detail.aspx?Id=389&amp;mtt=13">http://www.viscosefibre.com/xxgk/detail.aspx?Id=389&amp;mtt=13</a></p> <p>The latest version was also signed by the top management 1<sup>st</sup> June 2023.</p> <p>The interview with the executive and key managers confirmed senior management team were well informed the definition of Ancient and Endangered forests and other controversial sources and were fully committed to implement pulp procurement policy.</p>
1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met</p>

<p>available upon request to stakeholders. **</p>	<p><input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has developed and implemented the internal control procedure for dissolving pulp sourcing (file no. NHHX-02) for the implementation of Pulp Procurement Policy, where the suppliers are subjected to monitoring and evaluation from the company.</p> <p>The procedure is composed of several segments including: organizational chart for implementing the policy, responsibilities of related personnel, operational procedures for each division. The main responsibility lies in procurement division which is evaluating suppliers on:</p> <ul style="list-style-type: none"> <li>• requirements on quality, environment and H&amp;S, as well as pulp procurement policy.</li> <li>• validity and scope of FSC certificate</li> <li>• maintain COC records</li> <li>• maintain quality stability and lead time as required by the company.</li> </ul> <p>In addition, the ForestMapper tool is used to determine whether the purchasing area of the producer overlaps with at least one ecological value area in the original endangered forest data layer, and if so, the corresponding overlap area is analysed.</p> <p>However, this procedure does not include some required aspects, for example:</p> <ul style="list-style-type: none"> <li>• Risk assessment of legality, violation of human rights and conversion of natural forests to plantations (post 1994 date), use of Genetically Modified Organisms.</li> <li>• Evaluating supplier's performance in GHG reduction.</li> <li>• Evaluating whether their suppliers are sourcing from controversial tropical peatlands and/or intact forest landscapes.</li> </ul> <p>The procedure is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Mr. Li Ming, deputy general manager, has the overall responsibility for sourcing policy implementation.</p> <p>The safety &amp; environment division and sourcing division are the main divisions to implement the policy. Other divisions are also involved to support the implementation of the policy, such as sales, production.</p>

	<p>During interviews, they are aware of their responsibilities in implementing the policy.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company's organizational structure for implementation of policy has been shared with the auditor. Please refer to 1.2 and 1.3 for more findings.</p> <p>Interviews found all relevant staff were aware of Canopy policy and their responsibility.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The interview with the procurement division showed that the company had communicated the commitment to their suppliers via emails or purchase contracts. Samples of the communications to suppliers were provided to the auditor during the audit.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This year, the company has included requirements to implement policy in purchase contract template with suppliers - We accept the procurement policy of Nanjing Chemical Fiber regarding dissolved pulp: <a href="http://www.viscosefibre.com/xgk/detail.aspx?id=389&amp;mtt=13">http://www.viscosefibre.com/xgk/detail.aspx?id=389&amp;mtt=13</a>.</p> <p>So far, it has been used for new contracts with 2 suppliers – Arauco and Sappi.</p> <p>This indicator is graded as “in progress” due to the new contract template has not been used for all suppliers at time of audit.</p>
<p>1.7 The MMCF producer has developed, and is implementing a</p>	<p><b>Conformance with Indicator:</b></p>

<p>system to monitor supplier conformance with the Policy.**</p>	<p> <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b>          The company has not established a complete system to monitor supplier conformance with the Pulp Procurement Policy.</p> <p>The internal control procedure says:</p> <p><i>5.4.2 Dynamic control of the supplier</i></p> <p><i>a) For two consecutive deliveries of unqualified, no significant improvement within the time limit, should be considered no longer qualified, and the non-compliance caused by the procurement termination resolution records, submitted to the general manager for approval, cancel the qualification of qualified suppliers.</i></p> <p><i>b) The evaluation of the supplier shall be reviewed once a year, according to the supply quality record, sales service, production and use, fill in the Supplier Review Approval Form, and re-determine and compile the List of Qualified Suppliers after approval by the general manager.</i></p> <p>Via the interview with key managers of company it appears that the supplier evaluation focuses on the quality, in addition to using forest mapper/classification tool developed by Canopy if origin information is obtained and detailed enough. Currently they only checked the tool at country level which is not enough to specify the risk of overlapping with endangered forest.</p> <p>Some aspects are not covered and evaluated for supplier performance monitoring. See findings in indicator 1.2.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b>          The company is not FSC certified.</p> <p>The Company has established non-conformance and grievance procedure which is in accordance with ISO 9000 requirement that focus on product quality. This indicator is being graded as Not Met, as the ISO complaint grievance procedure is not applicable to grievances regarding the overall procurement policy related to this CanopyStyle.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that addresses any identified non-conformance and</p>	<p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met         </p>

<p>grievance received.**</p>	<p> <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b> According to interviews with the key managers, there is no grievance received since last audit.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b> The training records of implementing of policy were provided, including:</p> <ul style="list-style-type: none"> <li>• 19 Oct 2022, pulp sourcing SOP training</li> <li>• 27 Oct 2022, Canopy basics</li> <li>• 11 Jan 2023, Canopy audit guidance</li> <li>• 26 Apr 2024, Canopy basics</li> <li>• 28 May 2024, Canopy basics</li> </ul> <p>The attendance sheets with agenda, content and participants' signatures were presented to and reviewed by the auditor.</p> <p>The key staff involving in Canopy policy implementation attended these trainings, including deputy general manager, EHS, purchase, production, warehouse staff. The interview with management team and key manager confirms that they are aware of the policy and are implementing it.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b> The pulp procurement control procedure was developed by the group headquarters and is shared with the viscose mills.</p> <p>The purchasing and sales are centralised and conducted in HQ. The interview with management team and key manager at Dafeng mill confirms that they are aware of the policy and procedures.</p> <p>The mills is only responsible for production and storage.</p>
<p><b>Summary:</b></p>	

The Company has developed and published a fibre sourcing policy for the implementation of Canopy requirements. It has been communicated to the dissolving pulp suppliers. The company has included requirements to implement policy in purchase contract template with suppliers.

The Company has developed the internal control procedure for its implementation of Pulp Procurement Policy. However, this procedure does not include some required aspects.

Organizational structure was established and individual responsibilities were assigned to ensure the implementation. The training records of implementing of policy were provided to the relevant staff. The interview with management team and key manager confirms that they are aware of the policy and are implementing it.

The Company has established non-conformance and grievance procedure but which is not clearly applicable to grievances regarding the overall procurement policy related to CanopyStyle.

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The company has identified all raw material inputs by volume as required. It only uses pulp without cotton linters, agricultural residues, etc.</p> <p>In 2022 for the viscose mill, it purchased a total of 22,540 tons dissolving pulp from 5 suppliers and 16,062 tons pulp from 4 suppliers from January to May 2023.</p> <p>In 2022, for the lyocell mill, it purchased a total of 5759 tons dissolving pulp from 3 suppliers.</p> <p>The company provided the sourcing information form which includes information such as pulp mill name, volume and percentage from each pulp supplier, species info, country of origin or sub-country and certification status of purchased pulp.</p>
2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The Company has developed the internal control procedure for dissolving pulp sourcing (file no. NHHX-02) for the implementation of Pulp Procurement Policy.</p>



The main responsibility lies in procurement division which is evaluating suppliers on:

- requirements on quality, environment and H&S, as well as pulp procurement policy.
- validity and scope of FSC certificate
- maintain COC records
- maintain quality stability and lead time as required by the company.

Through interviews with sourcing staff, Dissolving Pulp Classification Tool and ForestMapper are the main tools used to determine the level of risk with the pulp from each supplier.

The ForestMapper tool is used to determine whether the purchasing area of the producer overlaps with at least one ecological value area in the original endangered forest data layer, and if so, the corresponding overlap area should be analysed. However, since the company has not collected detailed information of fibre origin (geolocation or map), they only checked the tool at country level which is not enough to specify the risk of overlapping with endangered forest.

For the suppliers covered in Dissolving Pulp Classification Tool, the content in the company's risk assessment (see screenshot below) was copied from Dissolving Pulp Classification Tool, without additional evidence (except FSC certificates from pulp suppliers) and assessment. No information about the forest/plantation is provided, such as forest map or geo-location or list of forest management units. It is unknown how the risk associated with the company's specific sourcing is assessed and the low-risk conclusion is justified, especially for the suppliers with potential risk identified or the one that is not evaluated by Canopy Dissolving Pulp Classification Tool.

For the viscose mill:

生产商名称及国家 <sup>42</sup>	评估结果 <sup>42</sup>	目前公开信息 <sup>42</sup>	证明材料 <sup>42</sup>
Arauco <sup>42</sup> 智利 <sup>42</sup>	基于目前已知信息和/或 CanopyStyle 审核, 确定无采购风险。 <sup>42</sup> 据记载, 几个智利马普切社区与森林公司对森林采伐存在冲突, 与在他们传统土地上建立的林地存在冲突。目前尚不清楚马普切社区与 Arauco 之间的争端是否得到解决。 <sup>42</sup>	- 所在地区不存在政策范围内的上述原始濒危森林, 但临近完整森林景观。 <sup>42</sup> - 未从完整森林景观采购。 <sup>42</sup> - 该公司所拥有的所有种植林都具备 FSC 认证 <sup>42</sup> - 该公司与非营利性环保组织签订了 2003 年天然森林 [REDACTED]。但是设有公开的政策执行和监控等相关信息。 <sup>42</sup> - 原住民马普切社区与智利政府仍存在土地和社会冲突, 针对传统土地的工业开发仍存在争议。 <sup>42</sup>	FSC:SGSCHI-CF-006455 <sup>42</sup> [文件] <sup>42</sup>
Oji Paper <sup>42</sup> 日本米子市 <sup>42</sup>	地理位置靠近热带雨林。 <sup>42</sup> 与 APP 亚洲浆纸业属从属关系。 <sup>42</sup>	- Oji 在印度尼西亚存在森林经营; 印尼属于 CanopyStyle 采购政策中指明原始濒危森林地区。 <sup>42</sup> - 供应链中可能存在来源于 1994 年之后转化林及/或热带雨林的原材料。 <sup>42</sup> - Oji 控股公司与 APP 在印度尼西亚成立了合资企业(包装)。 <sup>42</sup> - APP 长期以来在印尼破坏森林, 造成社会冲突, 已解除 FSC 会员关系。 <sup>42</sup>	为改善评估结果, 该工厂必须采取以下措施: <sup>42</sup> - 提供资料证明该公司已经停止与 APP 的商业关系, 且未从 APP 经营地采购。 <sup>42</sup> - 确认该公司未从完整森林景观、热带雨林或 1994 年之后建立的神植林采购。 <sup>42</sup> - FSC 认证证书 <sup>42</sup>
Sappi <sup>42</sup> Ngohema <sup>42</sup> 南非 <sup>42</sup>	基于目前已知信息和/或 CanopyStyle 审核, 确定无采购风险。 <sup>42</sup>	- 工厂所在地不存在政策范围内的上述原始濒危森林。 <sup>42</sup> - 在某粘胶生产商的审核评估中, 已确认为低风险。 <sup>42</sup>	FSC:SGSCHI-COC-003171 <sup>42</sup>

For the lyocell mill:

供应商风险评估（莱赛尔）			
生产商名称及国家	评估结果	目前公开信息	证明材料
Sappi Ngodwana 南非	基于目前已知信息和/或 CanopyStyle 审核，确定无采购风险。	- 工厂所在地不存在政策范围内的上述原始脆弱森林。 - 在某粘胶生产商的审核评估中，已确认为低风险。	FSC-S6SCH-COC-003171
AustroCel Hallein GmbH 奥地利	基于目前已知信息和/或 CanopyStyle 审核，确定无原始脆弱森林采购风险。然而，该工厂已不再持有 FSC 认证，无法再销售 FSC 认证的产品。	□ 工厂所在地不存在政策范围内的上述原始脆弱森林。 □ 所在地不存在完整森林景观。 □ 此工厂曾获得 FSC COC 认证，曾可销售 FSC 认证的产品，如其认证产品重新入市，再生纤维素纤维生产商须向其征询 FSC 认证。	DINC-PEPC-COC-000972
COSMO SPECIALTY FIBERS 美国(已关厂)	基于目前已知信息和/或 CanopyStyle 审核，确定无采购风险。	□ 经 CanopyStyle 审核核实，该工厂从古老森林或 1994 年之后建立的种植林采购的风险较低。	FSC-BY-COC-137607

More information is needed to justify how the risk assessment is conducted and the conclusion.

**2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.**

**Conformance with Indicator:**

Not Applicable  
 Commitment Met  
 Commitment in Progress  
 Commitment Not Met  
 Insufficient Information Available

**Description of the finding:**

All suppliers used in 2022 and 2023 are disclosed in the Canopy Sourcing Information Form.

Eight suppliers are used:

- OJI PAPER CO.,LTD. YONAGO mill
- Sappi Ngodwana mill
- Shandong Sun Honghe Paper
- Arauco Valdivia mill
- LD Celulose SA.
- Cosmo Specialty Fibers
- AustroCel Hallein GmbH
- Sappi Saiccor Mill

The supply chain is only disclosed up to country or sub-country level:

- OJI PAPER CO.,LTD. YONAGO mill, Indonesia
- Sappi Ngodwana mill, South Africa
- Shandong Sun Honghe Paper, Australia
- Arauco Valdivia mill, Chile Regions IX, X ,XIV
- LD Celulose SA, Brazil
- Cosmo Specialtiy Fibers, USA
- AustroCel Hallein GmbH, Austria
- Sappi Saiccor Mill, South Africa

The forest or plantation of origin is unknown. No map of forest sources or other supporting evidence are provided at the time of audit.

**2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group**

**Conformance with Indicator:**

Not Applicable  
 Commitment Met  
 Commitment in Progress

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> According to the Company, the assessment is updated every year. During the audit this time, the evidence and the assessment for this reporting period was provided to the auditor, however, it has not yet been shared with Canopy. The company is also willing to share with the Leaders Group.
2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The Company has developed the internal control procedure for dissolving pulp sourcing (file no. NHHX-02) for the implementation of Pulp Procurement Policy, including requirements of evaluating suppliers on: <ul style="list-style-type: none"> <li>• requirements on quality, environment and H&amp;S, as well as pulp procurement policy.</li> <li>• validity and scope of FSC certificate</li> <li>• maintain COC records</li> <li>• maintain quality stability and lead time as required by the company.</li> </ul> However, no criteria or procedure has been developed to evaluate risk of legality, violation of human rights and conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.
2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The Company has published its updated supplier list on its website, including all suppliers used in 2022 and 2023: <a href="http://www.viscosefibre.com/xxgk/detail.aspx?id=388&amp;mtt=13">http://www.viscosefibre.com/xxgk/detail.aspx?id=388&amp;mtt=13</a>
<b>Summary:</b> The company provided the sourcing information form which includes information such as pulp mill name, volume and percentage from each pulp supplier, species info, country of origin or sub-country and certification status of purchased pulp. It only uses pulp without cotton linters, agricultural residues, etc.	

For the suppliers covered in Dissolving Pulp Classification Tool, the content in the company's risk assessment (see screenshot below) was copied from Dissolving Pulp Classification Tool, without additional evidence (except FSC certificates from pulp suppliers) and assessment. No information about the forest/plantation is provided, such as forest map or geo-location or list of forest management units. It is unknown how the risk associated with the company's specific sourcing is assessed and the low-risk conclusion is justified, especially for the suppliers with potential risk identified or the one that is not included in Canopy's Dissolving Pulp Classification Tool.

The forest or plantation of origin is unknown. No map of forest sources or other supporting evidence are provided at the time of audit.

No criteria or procedure has been developed to evaluate risk of legality, violation of human rights and conversion of natural forests to plantations (1994 date), or use of Genetically Modified Organisms.

The company is also willing to share risk assessment with the Leaders Group.

The Company has published its updated supplier list on its website, including all suppliers used in 2022 and 2023.

3. No conversion of natural forest to plantations	
Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Collected information from all five suppliers:</p> <p>OJI PAPER CO.,LTD. YONAGO mill:  <b>Plantation was established in 1998</b>, Their current harvesting cycle is around 5-7 years. And, the pulp is not made of FSC certified material.</p> <p>Sappi Ngodwana mill and Saiccor mill:            Plantation was established in 1950 in South Africa and Eswatini. The pulp is FSC Mix 70% certified which means some portion of the supplier's procurement would originate from FSC-certified forests, which guarantee the compliance with this indicator. <b>However, some portion would originate from controlled material, which does not necessarily preclude sourcing from plantations established after 1994.</b></p> <p>Shandong Sun Honghe Paper:  <b>It is unknown about the initial date of plantation establishment.</b> The pulp purchased is not certified.</p> <p>Arauco Valdivia mill:  <b>It is unknown about the initial date of plantation establishment.</b> The pulp purchased is not certified.</p> <p>LD Celulose SA:</p>

	<p>It is unknown about the initial date of plantation establishment. However, the pulp is FSC 100% certified which guarantees no conversion after 1994 from forest to plantation. It represents 13.76% of total purchase in 2022 and 27.64% from January to May 2023.</p> <p>AustroCel Hallein: No information collected. The pulp purchased is declared as PEFC certified.</p> <p>Cosmo Specialty Fibers: It's known the harvesting took place in multiple plantations, established 1960-1985. The pulp purchased is not certified.</p> <p>Due to only pulp from LD Celulose SA meeting this indicator, it is graded as "in progress".</p>
<p><b>Summary:</b></p> <p>The pulp from LD Celulose SA is FSC 100% certified which guarantees no conversion after 1994 from forest to plantation. It represents 13.76% of total purchase in 2022 and 27.64% from January to May 2023.</p> <p>However, for other suppliers, no solid evidence has been provided about the initial date of plantation establishment.</p>	

**4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated**

Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient &amp; endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company's policies and procedures include the definitions of ancient &amp; endangered forests, intact forests, and controversial sources as the CanopyStyle framework.</p> <p>See its public policy: <a href="http://www.viscosefibre.com/xxgk/detail.aspx?Id=389&amp;mtt=13">http://www.viscosefibre.com/xxgk/detail.aspx?Id=389&amp;mtt=13</a></p>
<p>4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share with the Leaders Group.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b> The Company's internal risk assessments to all suppliers have included identifying ancient and endangered forests as well as controversial sources requirements. According to the Company:</p> <table border="1" data-bbox="662 363 1326 984"> <thead> <tr> <th>Supplier</th> <th>Company Risk Assessment</th> </tr> </thead> <tbody> <tr> <td>OJI PAPER CO., LTD. YONAGA MILL</td> <td>Low risk. The origin of their chips are their plantation.</td> </tr> <tr> <td>SAPPI, Ngodwana mill and Saiccor mill in South Africa</td> <td>Low risk</td> </tr> <tr> <td>Shandong Sun Honghe Paper</td> <td>Low risk. Eucalyptus from Australia</td> </tr> <tr> <td>Arauco Valdivia mill</td> <td>Low risk. Eucalyptus from Chile</td> </tr> <tr> <td>LD CELULOSE S.A.</td> <td>Low risk. Eucalyptus from Brazil</td> </tr> <tr> <td>Cosmo Specialty Fibers</td> <td>Low risk. Tsuga heterophylla, Pseudotsuga menziesii, Abies spp from the US</td> </tr> <tr> <td>AustroCel Hallein GmbH</td> <td>Low risk. Spruce from Austria</td> </tr> </tbody> </table> <p>However, OJI PAPER CO., LTD. YONAGA MILL and Arauco Valdivia mill holds potential risk according to Canopy Pulp Classification tool.</p> <p>Also, it is unknown if LD Celulose mill located in Brazil has a potential risk against Canopy requirements though it is FSC 100% certified. This mill is not covered by the classification tool, however it is not located in ancient and endangered forest in the ForestMapper tool.</p> <p>The suppliers disclosed information of forest only up to country or sub-country level. No more detailed information or supporting evidence is collected. As a result of this, the company is unable to identify if there is any area in the origin of forest fibre meeting the definition of "ancient and endangered forests" that has been identified and mapped and/or suppliers and fibre that have a high risk of being considered controversial sources.</p>	Supplier	Company Risk Assessment	OJI PAPER CO., LTD. YONAGA MILL	Low risk. The origin of their chips are their plantation.	SAPPI, Ngodwana mill and Saiccor mill in South Africa	Low risk	Shandong Sun Honghe Paper	Low risk. Eucalyptus from Australia	Arauco Valdivia mill	Low risk. Eucalyptus from Chile	LD CELULOSE S.A.	Low risk. Eucalyptus from Brazil	Cosmo Specialty Fibers	Low risk. Tsuga heterophylla, Pseudotsuga menziesii, Abies spp from the US	AustroCel Hallein GmbH	Low risk. Spruce from Austria
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<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> Due to Jari having risk of material originating from ancient and endangered forests or other controversial sources, the</p>																

	<p>company stopped the sourcing immediately. The material was used up in 2020 and documented in warehouse.</p> <p>Since last audit 2020, no such materials have been identified by the company and sourced.</p> <p>Per interview with sourcing staff, the company will stop sourcing the pulp which is identified and confirmed as having high risk by themselves or Canopy or other stakeholders.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the company is in non-compliance with national and international laws.</p> <p>The company holds a number of third-party certificates, most of which cover the compliance with applicable law, including:</p> <ul style="list-style-type: none"> <li>• ISO9001:2015 quality management system</li> <li>• FSC Chain of Custody</li> <li>• ISO14001:2015 Environment Management System</li> <li>• ISO45001: 2018 Occupational Health and Safety Management System</li> </ul> <p>Additionally, the auditor has made a survey via website searching that there is no ongoing legal case.</p> <p><a href="https://aiqicha.baidu.com/company_detail_50705811793215">https://aiqicha.baidu.com/company_detail_50705811793215</a></p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>For suppliers (Sappi Ngodwana, Shandong Sun Honghe Paper), it is verified and confirmed via Canopy classification tool that they are not sourcing material from ancient and endangered forests and other controversial sources – they have been concluded low risk in this tool and/or are undergoing verification.</p>

	<p>However, for suppliers (Oji and Arauco) with potential risk as identified in the tool, the company did not collect valid evidence and verify they are not sourcing from ancient and endangered forests and other controversial sources.</p> <p>This indicator is a summary of 4.1 – 4.4.</p>
<p><b>Summary:</b></p> <p>The Company's policies and procedures include the definitions of ancient &amp; endangered forests, intact forests, and controversial sources as the CanopyStyle framework.</p> <p>The Company's internal risk assessments of all eight suppliers have included identifying ancient and endangered forests as well as controversial sources requirements and concluded low risk. However, OJI PAPER CO., LTD. YONAGA MILL and Arauco Valdivia mill hold potential risk according to Canopy Pulp Classification tool. The company did not collect valid evidence and verify they are not sourcing ancient and endangered forests and other controversial sources.</p> <p>Also, it is unknown if LD Celulose mill located in Brazil has a potential risk against Canopy requirements although it is FSC 100% certified. This mill is not covered by the classification tool however it is not located in ancient and endangered forest in the ForestMapper tool.</p> <p>The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p>	

**5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them**

Indicators	Findings
5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are identified. Except LD Celulose, the pulp is purchased directly from four pulp mills (OJI PAPER CO.,LTD. YONAGO mill, Sappi Ngodwana Mill, Shandong Sun Honghe Paper, Arauco Valdivia mill). During the audit, the company provided the purchase accounting table in which the quantity matches with stock summary and data in supplier info form. The auditor sampled and checked the purchased contracts and invoices/packing lists).</p> <p>The origin is known at national or sub-national level only. The information at forest level is unknown.</p>
5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p>



<p>agreements in situations where non-conformance is found. **</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p><input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The company's procedure requires:  <i>5.4.2 Dynamic control of the supplier</i>  a) <i>For two consecutive deliveries of unqualified, no significant improvement within the time limit, should be considered no longer qualified, and the non-compliance caused by the procurement termination resolution records, submitted to the general manager for approval, cancel the qualification of qualified suppliers.</i></p> <p>The company has included requirements to implement policy in purchase contract template with suppliers - We accept the procurement policy of Nanjing Chemical Fiber regarding dissolved pulp: <a href="http://www.viscosefibre.com/xxgk/detail.aspx?id=389&amp;mtt=13">http://www.viscosefibre.com/xxgk/detail.aspx?id=389&amp;mtt=13</a>.</p> <p>So far, it has been used for new contracts with 2 suppliers – Arauco and Sappi.</p> <p>However, there is no specific mention of the company's forest procurement requirements related to Ancient &amp; Endangered Forests and other controversial sources, and there is no specific requirement on the timelines of corrective actions to non-compliance when identified and it is not clear about the situations where the purchase shall be suspended or terminated.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	<p><b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  In 2019, Canopy informed the company of risk associated with Jari due to the potential of material originating from ancient and endangered forests or other controversial sources. The company stopped sourcing from Jari immediately. Since last audit in 2020, no such materials have been identified by the company and sourced. This is confirmed by auditor through field observation at warehouse, interview with purchase and warehouse staff and review of purchase documents.</p>

	As interview with sourcing staff, the company will stop sourcing the pulp which is identified and confirmed having high risk by themselves or Canopy or other stakeholders.
<p><b>Summary:</b></p> <p>The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known.</p> <p>The origin is known at national or sub-national level only. The information at forest level is unknown.</p> <p>The company has included requirements to implement policy in purchase contract template with suppliers and developed the procedure for monitoring supplier's performance. However, there is no specific requirement to develop plans to engage suppliers to address concerns, or specifics on the timelines for corrective actions to non-compliance when identified and it is not clear about the situations where the purchase shall be suspended or terminated.</p>	

<p><b>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</b></p>	
<p>*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)</p>	
Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company's management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.</p> <p>This indicator is graded as "Not Applicable" due to the fact that no such practice has happened to date.</p>
<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>

	<p>This indicator is only required when the company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This indicator is only required when company's sourcing has been verified as coming from areas where there is record of conflict or human rights violations.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This indicator is only required when the company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p><b>Summary:</b></p> <p>The company's management confirmed the Leaders Group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.</p> <p>Indicator 6.2-6.5 are only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>	

7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector

*Note: This audit focuses only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.*

Indicators	Findings
<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. The requirement is also included in the purchase contract with suppliers.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Six pulp suppliers are FSC certified:</p> <ul style="list-style-type: none"> <li>- Sappi Ngodwana mill and Saccor mill, SGSCH-COC-003171</li> <li>- Shandong Sun Honghe Paper, SGSHK-COC-320134</li> <li>- Arauco Valdivia mill, SGSHCH-CW-006455</li> <li>- LD Celulose SA, SCS-COC-008957</li> <li>- Cosmo Specialty Fibers, BV-COC-137607</li> </ul> <p>This requirement, at least partly, are covered by FSC certification, including FSC Core ILO requirements and association policy.</p> <p>The supplier Oji Paper Yonago mill is not certified at time of this audit (terminated in March 2023).</p> <p>Holding FSC-COC certification alone is not sufficient to document conformance with this commitment. Only pulp sourced from Sappi and LD Celulose are FSC Mix 70% and FSC 100% respectively. As a result of this, all companies including forest throughout the supply chain should be FSC certified, and implementing this requirement.</p>

	<p>AustroCel Hallein is PEFC certified (DINC-PEFC-COC-000972). PEFC certification can be referenced regarding indigenous rights. However not all PEFC affiliated standards have the same requirements regarding rights.</p> <p>For pulp from other 3 suppliers that is not certified, there is not any guarantee the upstream suppliers are implementing this requirement.</p> <p>No additional evidence has been provided to document the pulp suppliers conform with the company's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.</p> <p>Also, no evidence has been provided from the upstream supplier at forest level.</p> <p>Therefore, this indicator is considered as commitment in progress.</p>
<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has established non-conformance and grievance management procedure which is in accordance with ISO 9000 requirement that focus on product quality. This indicator is being graded as in progress, as the ISO complaint grievance procedure is not clearly applicable to grievances regarding the overall procurement policy related to this CanopyStyle audit.</p> <p>Six pulp suppliers are FSC certified:</p> <ul style="list-style-type: none"> <li>- Sappi Ngodwana mill and Saccor mill, SGSCH-COC-003171</li> <li>- Shandong Sun Honghe Paper, SGSHK-COC-320134</li> <li>- Arauco Valdivia mill, SGSHCH-CW-006455</li> <li>- LD Celulose SA, SCS-COC-008957</li> <li>- Cosmo Specialty Fibers, BV-COC-137607</li> </ul> <p>AustroCel Hallein is PEFC certified (DINC-PEFC-COC-000972).</p> <p>This means the all the above pulp suppliers should have in place a grievance mechanism and show responsible handling of complaints and resolution of conflict. But, the supplier Oji Paper is not certified.</p> <p>Due to the pulp from Sappi and LD Celulose is FSC certified, the upstream suppliers should also meet these requirements as FSC requires all companies throughout the supply chain to have such a mechanism for their scope, including the forest managers.</p> <p>No additional information has been collected from pulp suppliers and forest managers. For the non-certified</p>

	<p>pulp, there is not any guarantee that there is a grievance mechanism implemented in these upstream suppliers.</p> <p>Due to the FSC certification can partially meet this This indicator is considered as commitment in progress.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union, HR Department, EHS department. The HR policies and procedures samples were also provided to the auditor.</p> <p>It holds a valid Occupational Health and Safety Management System Certificate (ISO45001:2018); all workers have signed labour contracts and the company pays for their social insurance.</p> <p>Four of five pulp suppliers are FSC certified which requires compliance with ILO core labour requirements.</p> <p>Due to the pulp from Sappi and LD Celulose being FSC certified, the upstream suppliers should also meet these requirements as FSC requires all companies throughout the supply chain to comply with ILO core labour requirements, including the forest managers.</p> <p>No additional information has been collected from pulp suppliers and forest managers.</p> <p>Since not all suppliers are certified, not all pulp is certified pulp, and no additional evidence is provided, there is not any guarantee that all upstream suppliers are in conformance with this requirement. Therefore, this indicator is considered as commitment in progress.</p> <p>Note: FSC COC certified companies are required to sign the Policy for Association, a declaration by the company that they are not involved directly or indirectly with activities that can violate workers' rights; for PEFC certificate, it also requires to recognize and respect the rights of the workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b></p> <p>The company has requested the supplier comply with CanopyStyle framework requirements. The requirement is included in contract with pulp suppliers. This document indicates that supplier must comply with the procurement policy of Nanjing Chemical Fiber regarding dissolved pulp, however it does not explicitly mention the requirement related to this indicator.</p> <p>The pulp from Sappi and LD Celulose is FSC certified. Their upstream suppliers up to forest managers should also meet these requirements as FSC requires all companies throughout the supply chain to comply with ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>However, no additional information has been collected from suppliers supplying non-certified pulp or procedures implemented to ensure its forest/wood suppliers meet this indicator.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The pulp from Sappi and LD Celulose is FSC certified. Their upstream suppliers up to forest managers should also meet these requirements as FSC requires all companies throughout the supply chain to comply with ILO Declaration on Fundamental Principles and Rights at Work. As a result, this requirement can be considered as partially met.</p> <p>However, not all suppliers provided certified pulp, where the requirements cannot be confirmed to be met.</p> <p>No evidence provided from the forest level supplier.</p> <p>This indicator is a summary requirement of 7.1-7.5 and thus is being graded as in progress.</p>
<p><b>Summary:</b></p> <p>This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union, HR Department, EHS department. The HR policies and procedures samples were also provided to the auditor.</p> <p>The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. The requirement is also included in the purchase contract with suppliers.</p> <p>Four of five dissolving pulp suppliers demonstrated they are recognizing and respecting ILO core labour requirements (not fully cover human rights, community rights, First Nations rights and rights of workers), and implementing a grievance mechanism, through valid FSC-COC certificates. For certified pulp from 2 suppliers (Sappi and LD Celulose), the upstream suppliers including forest fibres should also meet these requirements, as all tiers throughout supply chain should have FSC certificates.</p> <p>However, no additional information/evidence has been collected from suppliers, especially the ones supplying non-certified pulp to ensure its forest/wood suppliers meet these indicators.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p><b>Description of the finding:</b></p> <p>The company is collaborating with Nanjing Industrial University in developing technology of recycling fiber from used textiles and applies it in lyocell manufacturing. The cooperation framework agreement signed by both parties are provided, 3 years term from May 2022. On Apr 1<sup>st</sup>, 2024, the formal R&amp;D project has been approved also for 3 years til 2027. No other alternative fiber is being developed.</p>
8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p><b>Description of the finding:</b></p> <p>At the time of this audit, the research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has not been successfully completed and therefore it has not been used in a mass production.</p>
<p><b>Summary:</b></p> <p>The company is collaborating with Nanjing Industrial University in developing technology of recycling fiber from used textiles and applies it in lyocell manufacturing. At the time of this audit, the research has not been successfully completed and therefore it has not been used in mass production. .</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met



	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The company has not participated in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests
9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities.**	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The company has the commitment on Informed Consent of indigenous people and local communities included in its fiber policy and requires all suppliers to respect and comply with it.  But since the company hasn't been prompted to or proactively involved in positively impacting conservation and development solutions, this indicator is graded as Not Applicable.
9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> In 2023, the company signed the World's MMCF Producers Call on the Convention of Biological Diversity to support conserving at least 30% of the world's forests by 2030.
9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The company is not developing and implementing any programs to increase the endangered species population and the

	<p>maintenance of their habitat. Since this MMCF producer is not directly connected to management of the forests of origin, this requirement is considered Not Applicable.</p>
<p><b>Summary:</b> The company has not involved in the programme as described in this section.</p>	

10. Responsible forest management	
Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The FSC certified pulp the company purchased accounts for the total purchase volume:</p> <ul style="list-style-type: none"> <li>- 2021 year, 13%</li> <li>- 2022 year, 31.4%</li> <li>- January to May 2023, 58.84%</li> </ul> <p>During the audit, the company provided the purchase accounting table. The auditor sampled and checked the purchased contracts and invoices/packing lists for FSC certified pulp (purchased from Sappi and LD Celulose).</p> <p>The Company has made the commitment as required in the Company's sourcing policy to preference on FSC certified materials.</p> <p>However, during the audit, no time-bound action plan was provided, though the company is increasing FSC uptake practically. Also, the company has not defined criteria for responsible forest management. As result, this indicator is graded as "in progress".</p>
<p><b>Summary:</b></p> <p>The Company has made the commitment as required in the Company's sourcing policy to preference on FSC certified materials. The company has been increasing FSC uptake since 2021.</p> <p>However, during the audit, no time-bound action plan was provided, though the company is increasing FSC uptake practically.</p>	

**11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses**

Indicators	Findings
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has not established and implemented a procedure to evaluate suppliers' performance in reducing GHG.</p>
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company does not have a procedure to prevent sourcing from tropical peatlands and/or intact forest landscapes.</p> <p>Although there are FSC certified and FSC CW sourced material supplied to the Company, both FSC certified and FSC CW sourced material could be sourced from peatlands and IFLs.</p> <p><b>Note:</b> FSC FM and CW/FM certifications do not prohibit harvesting in IFLs or from natural forest or plantations established on peatland. IFLs are classified as HCV under FSC and require protection but harvesting is allowed on percentage of area outside defined core areas. Peatland may be classified as HCV in certain contexts and conformance with Principle 9 is required. It can be also the case with FSC COC CW (DDS) to source from Peatlands and IFLs if the country does not prohibit this by legislation. Therefore, the final conclusion is that FSC 100% and FSC CW could be sourced from Peatlands and IFLs if it is not prohibited by the national legislation.</p>
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>Based on the company's sourcing policy, it does not source material originating from intact forest landscapes or on drained tropical peatlands. However, no evidence is provided to document suppliers that are not operating in these areas.</p> <p>The company gives preference to the FSC certified pulp and are increasing intake of FSC certified pulp in last 3 years. FSC can help reduce the risk/probability of material from intact forest landscapes or on drained tropical peatlands, although there is still possibility that certified material still could be sourced from peatlands and IFLs as FSC gives exemptions (for example, when they are not classified as HCV; the converted area is very limited).</p>
<b>Summary:</b> <p>The Company has not established and implemented a procedure to evaluate suppliers' performance in reducing GHG.</p> <p>The company has not developed a procedure to prevent sourcing from tropical peatlands and/or intact forest landscapes.</p> <p>Although there are FSC certified and FSC CW sourced material supplied to the Company, both FSC certified and FSC CW sourced material could be sourced from peatlands and IFLs.</p> <p>The company gives preference to the FSC certified pulp and are increasing intake of FSC certified pulp in last 3 years. FSC can help reduce the risk/probability of material from intact forest landscapes or on drained tropical peatlands.</p>	

12. Pollution Prevention	
Indicators	Findings
12.1 *This verification process <u>will not</u> verify at first hand the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at <a href="https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released">https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</a>	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>The CanopyStyle audit does not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p>
<b>Summary:</b> <p>The CanopyStyle audit does not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p>	



\*\* Indicates Critical Indicators

## Appendix B: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 1 Checklist)

### 1. Evaluation of Site: Jiangsu Jinling Cellulose Fiber Co., Ltd.

Primary Responsible Person: (Responsible for control system at site(s))	Ms. Ping Kai
Auditor(s):	Mr. Gaojun Zhao
People Interviewed, Titles:	Mr. Tang Wenxiu, Vice General Manager Mr. Chen Dianjun, Production manager Mr. Zhang Yadong, warehouse manager Ms. Su Fangli, warehouse Mr. Liu Yunfei, Safety and environment manager
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose staple fibre production and storage of material and products.

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The policy was public on the company's website: <a href="http://www.viscosefibre.com/xxgk/detail.aspx?id=389&amp;mt=13">http://www.viscosefibre.com/xxgk/detail.aspx?id=389&amp;mt=13</a></p> <p>The Company has organized several training sessions on the policy and Canopy requirements since last audit. Training records were provided for auditor review. Attendance sheets were presented and reviewed, indicating the key staff participated the training.</p>

	<p>The training records of implementing of policy were provided, including:</p> <ul style="list-style-type: none"> <li>• 19 Oct 2022, pulp sourcing SOP training</li> <li>• 27 Oct 2022, Canopy basics</li> <li>• 11 Jan 2023, Canopy audit guidance</li> </ul> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
<p>1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>In practice, the mill does not have the function of sourcing but rather material receiving, storage of pulp and viscose production.</p> <p>The Company shared the SOP for the implementation of Canopy sourcing policy with the mill that ensures the wood sourcing policy is implemented.</p> <p>The mill's staff is trained and aware of the responsibilities related to their function/positions, including traceability and segregation system.</p> <p>During audit, the staff at the warehouse can identify the supplier for each pile of pulp. Each pack of pulp has identification card. The pulp from each supplier is stored in separate warehouse or area. The production department is able to identify the input material for each batch of products.</p>
<p><b>Summary:</b></p> <p>The mill has been trained on the policy and Canopy requirements since last audit. Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>	

<p><b>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.</b></p>	
<p><b>Indicators</b></p>	<p><b>Findings</b></p>
<p>2.1 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>The mill is not involved in wood pulp sourcing. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>The mill is not involved in sourcing wood pulp. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment.</p> <p>As of document review, field observation and staff review, five pulp suppliers are used since January 2022, all of which have been included in supplier list and risk assessments.</p>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>During the audit, the company provided the purchase accounting table. The auditor sampled and checked the purchased contracts and</p>



	<p>invoices/packing lists for FSC certified pulp (purchased from Sappi and LD Celulose).</p> <p>The packing list/delivery note kept in the mill included FSC certificate code and claim.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>During the audit, the mill provided a summary of annual volume of material receiving, used and stock from each supplier.</p> <p>For example 2022 year, 22540 tons received, 20869 tons used for production, 1767 tons in stock. The figure about material from each supplier is detailed. The purchase accounting table is presented, including the info: purchase date, supplier name, quantity, reference number, certification status. The purchase documents (invoice, packing list, bill of lading, custom declarations) are sampled for each supplier. Also, the corresponding stock-in documents in warehouse are sampled which can match with the purchase documents.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>During the audit, sales and transport documents for final products were sampled and checked.</p> <p>The company is not certified, so the final product is not certified.</p> <p>The forest/plantation of origin is unknown, so it is not available in transport document.</p>
<p><b>Summary:</b></p> <p>The mill is not involved in wood pulp sourcing. The warehouse and production workshop maintain records of receiving and using pulp from suppliers.</p> <p>All five pulp suppliers are used since January 2022, all of which have been included in supplier list and risk assessments.</p>	

During the audit, the mill provided a summary of annual volume of material received, used and remained in stock from each supplier. The purchase accounting table is presented, including the info: purchase date, supplier name, quantity, reference number, certification status. The purchase documents (invoice, packing list, bill of lading, custom declarations) are sampled for each supplier. Also, the corresponding stock-in documents in warehouse are sampled which can match with the purchase documents.

**3. No conversion of natural forest to plantations.**

Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in plantations established before 1994**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>
<p><b>Summary:</b></p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>	

**4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.**

Indicators	Findings
<p>4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the company is in non-compliance with national and international laws.</p>

	<p>The company holds a number of third-party certificates, most of which covers the compliance with applicable law, including:</p> <ul style="list-style-type: none"> <li>• ISO9001:2015 quality management system</li> <li>• FSC Chain of Custody</li> <li>• ISO14001:2015 Environment Management System</li> <li>• ISO45001: 2018 Occupational Health and Safety Management System</li> </ul> <p>Additionally, the auditor has made a survey via website searching that there is no ongoing legal case.</p> <p><a href="https://aiqicha.baidu.com/company_detail_50705811793215">https://aiqicha.baidu.com/company_detail_50705811793215</a></p>
<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not <b>receive</b> wood from Priority Ancient and Endangered forests, as <i>outlined in the <a href="#">Advice Note</a></i> and from controversial sources.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp.</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>Corporate office has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 4 under Appendix A.</p> <p>During the audit, the mill provided a summary of annual volume of material receiving, used and stock from each supplier.</p> <p>The purchase accounting table is presented, including the info: purchase date, supplier name, quantity, reference number, certification status. The purchase documents (invoice, packing list, bill of lading, custom declarations) are sampled for each supplier. Also, the corresponding stock-in documents in warehouse are sampled which can match with the purchase documents. All suppliers used are disclosed in the supplier information form and assessed by the HQ. No non-disclosed supplier are detected by auditor via document review and field observation.</p>
<p>4.3 Production mills have conducted assessment of presence of presence of Ancient and Endangered forests, as <i>outlined in the</i></p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p>

<p><i>Advice Note</i> and other controversial sources in their wood supply areas.</p>	<p><input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The assessment was conducted by the Procurement division at Corporate office.</p> <p>Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The assessment was conducted by the Procurement division at Corporate office.</p> <p>Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p><b>Summary:</b>  The supplier assessment was conducted by the Procurement division at Corporate office.</p> <p>The staff were aware of all relevant laws and regulations. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. No evidence showed the company is non-compliant with national and international laws.</p>	

**5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them**

Indicators	Findings
<p>5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Corporate office (HQ) is responsible for conducting supplier performance and monitoring program..</p>
<p><b>Summary:</b>  The Corporate office (HQ) is responsible for conduct supplier performance monitoring program..</p>	

## Appendix C: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 2 Checklist)

### 1. Evaluation of Site: Nanjing Golden Antelope Bio based Fiber Co., Ltd

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Ms. Ping Kai
<b>Auditor(s):</b>	Ms. Zhou Peiyong
<b>People Interviewed, Titles:</b>	Mr. Kang Guopei, Vice General Manager Ms. Ping Kai, Safety and environment department Ms. Yue Ping, Purchase Manager Mr. Zhou Mingji, Director, R&D Mr. Lu Guang, Manager, R&D Mr. Chen Degang, Manager, Production Mr. Yang Wu, Engineer, Production Ms. Li Ying, Manager, Warehouse Ms. Shen Meijuan, Vice Manager, Raw Material section, Production Ms. Liu Limin, Vice Manager, Spinning section, Production Mr. Zhou Yuwei, Manager, HR
<b>Brief Overview of Audit Process for this Location:</b>	Please refer to Section 2.3 above for Description of Overall Audit Process.
<b>Comments:</b>	This mill is responsible for lyocell fibre production and storage of material and products.

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<b>Description of the finding:</b>

	<p>The policy was public on the company's website: <a href="http://www.viscosefibre.com/xxgk/detail.aspx?Id=389&amp;mtt=13">http://www.viscosefibre.com/xxgk/detail.aspx?Id=389&amp;mtt=13</a></p> <p>The Company has organized several training sessions on the policy and Canopy requirements since last audit. Training records were provided for auditor review. Attendance sheets were presented and reviewed, indicating the key staff participated the training.</p> <p>The training records of implementing of policy were provided between April and May 2024.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
<p>1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>In practice, the mill does not have the function of sourcing but rather material receiving, storage of pulp and viscose production.</p> <p>The Company shared the SOP for the implementation of Canopy sourcing policy with the mill that ensures the wood sourcing policy is implemented.</p> <p>The mill's staff is trained and aware of the responsibilities related to their function/positions, including traceability and segregation system.</p> <p>During audit, the staff at the warehouse can identify the supplier for each pile of pulp. Each pack of pulp has identification card. The pulp from each supplier is stored in separate warehouse or area. The production department is able to identify the input material for each batch of products.</p>
<p><b>Summary:</b></p> <p>The mill has been trained on the policy and Canopy requirements since last audit. Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>	

<p>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.</p>	
<p>Indicators</p>	<p>Findings</p>

<p>2.1 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill is not involved in wood pulp sourcing. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill is not involved in sourcing wood pulp. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment.</p> <p>As of document review, field observation and staff review, three pulp suppliers are used since January 2022, all of which have been included in supplier list and risk assessments:</p> <ul style="list-style-type: none"> <li>- Sappi Saiccor mill</li> <li>- Cosmo Specialty Fibers</li> <li>- AustroCel Hallein</li> </ul>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

<p>applicable third-party verification is included on sales and delivery documentation.</p>	<p><input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>During the audit, the company provided the purchase accounting table. The auditor sampled and checked the purchased contracts and invoices/packing lists from all three pulp suppliers</p> <p>The packing list/delivery note kept in the mill included FSC certificate code and claim when applicable.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>During the audit, the mill provided a summary of annual volume of material receiving, used and stock from each supplier.</p> <p>For example for this reporting period, 5759 tons received, 1517 tons used for production, 4242 tons in stock. The figure about material from each supplier is detailed. The purchase accounting table is presented, including the info: purchase date, supplier name, quantity, reference number, certification status. The purchase documents (invoice, packing list, bill of lading, custom declarations) are sampled for each supplier. Also, the corresponding stock-in documents in warehouse are sampled which can match with the purchase documents.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>During the audit, sales and transport documents for final products were sampled and checked.</p>



	<p>The company is not certified, so the final product is not certified.</p> <p>The forest/plantation of origin is unknown, so it is not available in transport document.</p>
<p><b>Summary:</b></p> <p>The mill is not involved in wood pulp sourcing. The warehouse and production workshop maintain records of receiving and using pulp from suppliers.</p> <p>All five pulp suppliers are used since January 2022, all of which have been included in supplier list and risk assessments.</p> <p>During the audit, the mill provided a summary of annual volume of material received, used and remained in stock from each supplier. The purchase accounting table is presented, including the info: purchase date, supplier name, quantity, reference number, certification status. The purchase documents (invoice, packing list, bill of lading, custom declarations) are sampled for each supplier. Also, the corresponding stock-in documents in warehouse are sampled which can match with the purchase documents.</p>	

3. No conversion of natural forest to plantations.	
Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in plantations established before 1994**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>
<p><b>Summary:</b></p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.	
Indicators	Findings
<p>4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b></p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the company is in non-compliance with national and international laws.</p> <p>The company holds a number of third-party certificates, most of which covers the compliance with applicable law, including:</p> <ul style="list-style-type: none"> <li>• ISO9001:2015 quality management system</li> <li>• FSC Chain of Custody</li> <li>• ISO14001:2015 Environment Management System</li> <li>• ISO45001: 2018 Occupational Health and Safety Management System</li> </ul> <p>Additionally, the auditor has made a survey via website searching that there is no ongoing legal case.</p> <p><a href="https://aiqicha.baidu.com/company_detail_50705811793215">https://aiqicha.baidu.com/company_detail_50705811793215</a></p>
<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not <b>receive</b> wood from Priority Ancient and Endangered forests, as outlined in the <a href="#">Advice Note</a> and from controversial sources.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp.</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>Corporate office has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 4 under Appendix A.</p> <p>During the audit, the mill provided a summary of annual volume of material receiving, used and stock from each supplier.</p> <p>The purchase accounting table is presented, including the info: purchase date, supplier name, quantity, reference number, certification status. The purchase documents (invoice, packing list, bill of lading, custom declarations)</p>

	<p>are sampled for each supplier. Also, the corresponding stock-in documents in warehouse are sampled which can match with the purchase documents. All suppliers used are disclosed in the supplier information form and assessed by the HQ. No non-disclosed supplier are detected by auditor via document review and field observation.</p>
<p>4.3 Production mills have conducted assessment of presence of presence of Ancient and Endangered forests, as <i>outlined in the <a href="#">Advice Note</a></i> and other controversial sources in their wood supply areas.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The assessment was conducted by the Procurement division at Corporate office.</p> <p>Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as <i>outlined in the <a href="#">Advice Note</a></i> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The assessment was conducted by the Procurement division at Corporate office.</p> <p>Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p><b>Summary:</b></p> <p>The supplier assessment was conducted by the Procurement division at Corporate office.</p> <p>The staff were aware of all relevant laws and regulations. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. No evidence showed the company is non-compliant with national and international laws.</p>	

**5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them**

Indicators	Findings
<p>5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met</p>

<p>in such cases where non-conformances are identified.</p>	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>The Corporate office (HQ) is responsible for conducting supplier performance and monitoring program..</p>
<p><b>Summary:</b>          The Corporate office (HQ) is responsible for conduct supplier performance monitoring program..</p>	

## Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

### Recommendations for Nanjing Chemical Fiber for continuous improvement

1 July, 2024

Canopy applauds Nanjing for completing its second CanopyStyle audit. The audit was unable to determine low risk of sourcing from Ancient and Endangered Forests and other controversial sources because information is lacking for some suppliers. However, the audit found that Nanjing has successfully eliminated known risk, and has significantly increased its use of FSC Mix and FSC 100% fibre inputs.

The CanopyStyle audit is a learning opportunity, and in the spirit of continuous improvement, actions can be taken over time to implement Nanjing's policy commitments. Based on the review of the audit report, Canopy recommends the following next steps:

- Establish internal systems to develop risk assessments for all suppliers, in line with your procurement policy; in particular work with suppliers to gain information about forest of origin and whether there is overlap with Intact Forest Landscapes or tropical peatlands.
- Acquire evidence from suppliers regarding their conformance to policy requirements related human rights, GMOs and forest conversion/plantation dates.
- Integrate forest procurement policy requirements into the procedure for supplier compliance.
- Develop an ambitious action plan for increasing the use of Next Generation alternative fibres in a commercially competitive way.
- Develop a formal action plan to increase the use of FSC certified inputs.
- Work with Canopy to support the conservation of Ancient & Endangered Forests.
- Adopt best in class processing technologies. Work with experts in the field to implement pollution control technologies to limit their impact. Implement the new ZDHC MMCF guidelines<sup>1</sup> for chemical management, which give suppliers unified criteria for measuring output indicators like wastewater, sludge, air emissions and other process-related parameters.

We recommend that the company develop an action plan for these priority issues, so that they can be addressed before the next annual audit.



As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will support Nanjing to continue to implement their policy and meet the expectations of the CanopyStyle Initiative.

Once again, we congratulate you for the completion of the audit and for proactively taking steps to eliminate risk in your supply chain. We look forward to working collaboratively with Nanjing to address any outstanding issues.

## 对南京化纤持续改进的建议

Canopy 对南京化纤完成 CanopyStyle 的第二次审核表示赞赏。由于一些供应商缺乏信息，审计无法确定从原始濒危森林和其他有争议的来源采购的低风险。然而，审计发现，南京化纤已经成功地消除了已知的风险，并显著增加了 FSC Mix 和 FSC 100%纤维的投入使用。

CanopyStyle 审核是一个学习的机会，本着持续改进的精神，可以随着时间的推移采取行动来落实南京化纤的政策承诺。根据对审计报告的审查，Canopy 建议采取以下后续步骤：

- 根据您的采购政策，建立内部系统，对所有供应商进行风险评估；特别是与供应商合作，以获取有关原产地森林的信息，以及是否与完整森林景观或热带泥炭地重叠。
- 从供应商处获取证据，证明其是否符合与人权、转基因生物和森林转换/种植日期相关的政策要求。
- 将森林采购政策要求纳入供应商合規程序。
- 制定远大的行动计划，以具有商业竞争力的方式增加下一代替代纤维的使用。
- 制定正式的行动计划，以增加 FSC 认证的投入使用。
- 与 Canopy 合作，支持保护原始和濒危森林。
- 采用一流的加工技术。与该领域的专家合作，实施污染控制技术，以限制其影响。实施新的 ZDHC MMCF 化学品管理指南，该指南为供应商提供了测量输出指标（如废水、污泥、废气排放和其他工艺相关参数）的统一标准。

我们建议公司为这些优先问题制定行动计划，以便在下一年度审计之前解决这些问题。

正如 CanopyStyle 审计框架中所述，持续的审计和/或随机实地考察将支持 Century Rayon 公司继续实施其政策并满足 CanopyStyle 倡议的期望。

我们再次祝贺南京化纤完成审核，并积极采取措施消除供应链中的风险。我们期待与南京化纤合作，解决任何悬而未决的问题。