



CanopyStyle Audit Report for Mitsubishi Chemical Corporation

Assessment 2020

Evaluation date: 25th December, 2020

Report date: 22nd February, 2021

Organisation Contact

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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 *Mitsubishi Chemical Corporation* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 2021 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 320 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 Forests⁴.

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

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

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

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



1. GENERAL DESCRIPTION

1.1 Company overview

Mitsubishi Chemical Corporation is a Japan-based company that was established in April 2017 with a merger of three companies: namely former Mitsubishi Chemical; Mitsubishi Plastics; and Mitsubishi Rayon. It is now one of the largest players in chemical manufacturing in the nation, whose business domain includes the production of man-made cellulosic fiber for the textile industry. It is a subsidiary of the Mitsubishi Chemical Holdings Corporation Group and a member of the Mitsubishi Group of Companies.

1.2 Company scope (sites, locations, etc.)

Located on the coast of the Sea of Japan, in Toyama prefecture of central Japan, their main and only production site, Toyama Plant, consists of fiber, resin, and other material production sub-plants, which amount to the site area of about 870,000 square meters. Among them, only the fiber sub-plant is under the scope of this audit. It has the filament and filter tow sections. The toyama plant has a FSC CoC certificate SA-COC-005931.

The Company sources cellulose acetate as its material for their product, Triacetate Filament "Soalon®". The cellulose acetate is supplied by a domestic supplier Daicel with a FSC CoC certificate SA-COC-005932. Daicel imports dissolving pulp from a US supplier Rayonier Advanced Materials and then chemically process the dissolving pulp with acetic acid into cellulose acetate.

1.3 Company sourcing policy

According to their *Triacetate Fiber Raw Material Procurement Policy*, which is effective since 30th March 2020, the Company is committed to making responsible use of wood-derived raw materials for the production of Soalon in accordance with the following five policies.

- *Protection of ancient and endangered forests and ecosystems*
- *Recognizing, respecting, and upholding human rights and the rights of local communities*
- *Reduction of Greenhouse Gas Emissions*
- *Innovative and Alternative Fiber Development*
- *Transparency, Traceability and Verification*

Under the first policy section of "Protection of ancient and endangered forests and ecosystems", as its five sub-principles it is explicitly stated that:

1. All wood-derived raw materials are prioritized to be procured from suppliers that have obtained FSC certificates under Forest Stewardship Council. FSC COC and FSC certified plantations are part of the solution.

2. Prohibit the procurement of wood harvested from forests of high conservation value, and wood harvested from ancient and endangered forests such as Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, the Amazon and West Africa, or endangered species habitat.

3. Prohibit sourcing from companies engaged in illegal logging of forests or procured from plantations since 1994, and do not procure from areas where logging violates the rights of indigenous peoples or local residents.

4. If any forest-derived raw materials are found to be procured from threatened ancient forests, endangered species habitats, or by illegal logging, investigate their supply chains,



encourage them to change their procurement methods, and, in some cases, review our business relationships with those suppliers.

5. The above-mentioned efforts will be collaborated with Canopy etc. (i)., an NGO aiming at forest protection, to promote sustainable forest management and the protection of forests that have long been in danger. Where appropriate, we will support collaborative and visionary system solutions that protect remaining ancient and endangered forests.

Decisions for the Company's material inputs, namely cellulose acetate, for the filament production facility are made centrally at the Fiber and Textile Department of its Technology Group in Osaka, while dissolving pulp purchases for its primary processing into cellulose acetate are made independently by Daicel, its domestic processor/supplier in Japan. In order to enable procurement of FSC controlled wood materials, the Company shares the sourcing policy with its supplier and has paid the audit fee for the FSC-CoC certification of its supplier. Today, 100% of the Company's wood-derived supply for MMCF is from FSC controlled wood sources.



2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	100% cellulose acetate produced from dissolving pulp supplied by the only supplier with FSC Controlled Wood claim	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: The supplier, Rayonier Jesup, USA, is listed in the Canopy Style Classification of Dissolving Pulp Mills, described with "its local risk mitigated through supplier action."
Mill Capacity:	5000 tons of triacetate filament "Soalon" yarn /year	
Primary Activity:	Triacetate filament yarn	
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: (mainly Filament Production Section at Toyama Plant, with directors/managers of Production Tech. Group and Filament Production Dept. both at Osaka Office who are directly in charge of Plant)	Permanent male: 91	Permanent female: 8
	Contract male: 2	Contract female: 0
	TOTAL:	101

Sites included in evaluation	Location
Fiber and Textile Dept., Technology Group of Mitsubishi Chemical Corporation	4-1-1 Fushimi-machi, Chuo-ku, Osaka, 541-0044, Japan
Toyama Plant	3 Kaigandori, Toyama, 931-8601, Japan

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Yuki Nakamura	-Preferred by Nature - Responsible Sourcing Consultant -Consultant/translator for due diligence system & certification -With academic and professional experiences of over 10 years in forest industry and timber supply/value chains worldwide,

	<p>focused on FLEGT and REDD+ particularly in Asia-Pacific & Eastern Europe regions</p> <p>-Former project leader of the Country Specific Guidelines of the Clean Wood Act of Japan and REDD+ technical expert for national forest monitoring systems of JICA int'l coop project</p> <p>-MSc. Forest Ecology and Management</p> <p>-BSc. Environmental Studies Policy Option</p>
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3.2 Audit Overview

Site(s)	Audit date	Total audit time (Hours)
Dept. Office	25 th December, 2020	5 hours (remote audit)
Toyama Plant		

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

3.3 Description of Overall Audit Process

The Company shared all the company profile, supplier list, and system documents with the NEPCon supervisor for review while the auditor shared an audit plan with the Company before the remote audit.

On 25th December, 2020, the remote audit session started with an opening meeting with the presence of the directors and managers directly in charge of filament production and the other key staff members of the Filament Production Section. The brief introduction of auditing body and auditor, the objective, scope, procedures, and schedule of the audit, and finally the conflict of interest (COI) issues were communicated followed by a Q&A session. Then, the management representative gave a brief introduction of the Company and operation activities with emphasis on the continuous efforts made on FSC CoC certification and its application to the Canopy sourcing policy implementation.

Following the opening meeting, the auditor interviewed the management team regarding each of the system documents provided by the Company in advance. First, the auditor thoroughly examined the raw material procurement policy and its action plan and practices for the following five principles: 1) protection of endangered forests and ecosystems; 2) recognizing, respecting, and upholding human rights and the rights of local communities; 3) reduction of greenhouse gas emissions; 4) innovative and alternative fiber development; and 5) transparency, traceability, and verification. Also, by referring to each of the submitted documents for FSC CoC certification audit, the interviewees provided detailed explanation especially on the company structure, operation standards, Canopy training, and supplier management.

After interview with management, related documents were reviewed, such as Wood Fiber Sourcing Policy and operational procedures, Annual Volume Summary Data, purchase



documents (contracts, invoices, packing list, bill of lading etc.), Training Plan and records, and communication with the suppliers, etc. The auditor examined all the performance indicators and

identified further questions to obtain missing information, whose list was emailed to the Company and then answered by the procurement manager with additional documents attached.

The closing meeting was held remotely at 13:00 on 22nd February, 2021 with the presence of the procurement managers at Osaka Office, West Japan Branch. During the meeting the main findings were presented and explained to the Company.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive findings:

The Company has developed a sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

Even though the CanopyStyle-oriented operating manual has not been yet developed and shared with the mill, the Company has already obtained an FSC-CoC certification and deals with FSC Controlled Wood source material only, with its material and product scope identical with this Canopy audit. The FSC-CoC management system is thus already available to be applied/developed with extra/non-overlapping standards added in order to meet the Canopy sourcing policy requirements.

Given all purchased material is FSC Controlled Wood material, the Company is taking steps to ensure risks are mitigated regarding legality, human rights, HCVs, conversion of natural forests to plantations, and use of Genetically Modified Organism.

The company has conducted a risk assessment for the dissolving pulp supplier Rayonier USA (FSC certificate: BV-COC-128948) with low risk conclusion which is in line with the Canopy Dissolving Pulp Classification tool (see the table below).

Dissolving Pulp Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Rayonier (USA)	Low risk	Local risk mitigated through supplier action.

In addition, the Company requested its direct supplier (Daicel Corporation, a local processor transforming dissolving pulp into cellulose acetate) to get FSC-CoC certified (FSC certificate: SA-COC-005932) and paid for a part of its audit fee, which enables their sourcing of FSC certified and FSC Controlled Wood materials.

Areas for improvement:

Even though the Company has already developed a Canopy sourcing policy and obtained an FSC-CoC certification and deals with FSC-CW source material only, the CanopyStyle-oriented operating manual and trainings still need to be developed and shared with the mill and suppliers for implementation. It should be also included in supplier contracts as binding requirements along with engagement and withdrawal procedures in the case of violation. In order to verify suppliers' compliance with the Canopy requirements, the



Company needs to request and obtain documentation on its conformance from its suppliers and should not rely only on the FSC-CoC/CW status of its suppliers.

The Company also does not have any clear definitions and understanding of related terms for its policy, such as “intact forest,” “natural forest,” “endangered species,” “controversial sources,” “high conservation value,” “high carbon area,” and “peatlands.”

Regarding the stakeholder relations and transparency with them, the Company shares supplier information with its customers but not with the public and the Leaders’ Group, which requires further consultation with the management board. However, firstly the Company has not fully identified its stakeholders, so the Company has never approached them with intention to work together for any kind of mapping identification, assessment, nor planning. Stakeholder identification is the first step for obtaining stakeholders’ cooperation to effectively implement its policy and verify its implementation. By doing so, it is also possible to take actions with them to advocate conservation solutions in public, such as participation in regional conservation forest planning, webinars and roundtables, writing to decision makers, and conference announcement, which the Company has never done yet.

Finally, the Company also needs to elaborate on its policy statement into particular action plans to explore and encourage the development of alternative raw materials as well as to evaluate or document its suppliers’ performance in reducing GHG and protecting forest and peatlands.

The Company has made great efforts to obtain the FSC-CoC certification and source FSC Controlled Wood materials only. The Company has begun developing and implementing many of the required procedures required by this framework but full implementation is not yet completed.

Additionally, this audit found that the company is sourcing from Daicel, a cellulose acetate manufacturer, who has declared their supplier as Rayonier (USA), but has provided no additional evidence to confirm this as the only supplier. Low risk cannot be verified until their supplier, an MMCF producer, is also verified against the CanopyStyle audit framework.

4.2 Summary of findings

Rating	Color
Not Applicable	Grey
Commitment Met	Green
Commitment in Progress	Yellow
Commitment Not Met	Red
Insufficient Information Available	Grey

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 publically available commitment to full implementation of the forest sourcing policy **	Green

	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	
	1.4 The MMCF producer has developed capacity and Companyal structure to implement the Policy.	
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	
	1.8 The MMCF producer has put in place a grievance procedure.	
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 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 the Dissolving Pulp Classification tool, to make their supply assessment. **	
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	
	2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	
	2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	
	2.5 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.	
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 1994, or post 1994 with a supporting valid FSC certificate. **	

<p>4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated</p>	<p>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. **</p>	
	<p>4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fiber that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **</p>	
	<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>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>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	
<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</p>	<p>5.1 All MMCF producers’ suppliers are identified and the forest of origin is known. **</p>	
	<p>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.)</p>	
	<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	
<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</p>	<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</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>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, 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</p>	

	credible and mutually agreed third party and made public. **	
	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. **	
	6.5 The MMCF producer has 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. **	
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	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. **	
	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. **	
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	
	7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers	
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	
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. **	
	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.	
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. **	
	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. **	
	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.	
	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. **	
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. **	
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.	
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	
	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. **	
12. Pollution Prevention	12.1 * This verification process <u>will not</u> address 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. Iyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released	

4.3 Volume Summaries⁵

Reporting period: 1/4/2019 to 31/3/2020

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	3,384 tons of cellulose acetate	100 %
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0 %

⁵ The volume summary is provided by the company via the Canopy's Sourcing Information Form Template.



FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	0	0 %
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.	0	0 %
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0 %



Appendix A: STANDARD CHECKLIST (CanopyStyle Verification Framework – Corporate Sourcing)

1. Evaluation of Site: Mitsubishi Chemical Corporate Office

Primary Responsible Person: (Responsible for control system at site(s))	-KATSUMOTO Shingo (勝元 慎吾): Member of Technology Group, Fiber Dept.
Auditor(s):	Yuki Nakamura
People Interviewed, Titles:	<p><Osaka Office, West Japan Branch></p> <p>-Mr. KATSUMOTO Shingo (勝元 慎吾): Member of Technology Group, Fiber Dept.</p> <p>-Mr. SAEGUSA Takaakira (三枝 高彬): Member of Consumer Products Segment</p> <p>< Filament Production Dept., Toyama Plant></p> <p>-Mr. HAYASHIDA Kazuaki (林田 和明): Department Director</p> <p>-Mr. TSUTSUMI Shinichiro (堤 晋一郎): Section Chief of Filament Production</p> <p>-Ms. SHIBATA Megumi (柴田 恵): Manager of Production Technology Group</p> <p>-Mr. KONDO Masahiro (近藤 匡泰): Member of Production Technology Group</p>
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 3.3 above for Description of Overall Audit Process.</i>
<p>Comments: Fiber and Textile Department of the Technology Group of the Company is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill.</p>	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their 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>Conformance with Indicator:</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>Description of the finding:</p> <p>The Company has established a procurement policy for wood-derived materials aimed at the responsible use of wood-derived materials, which was posted on the website</p>

	<p>(https://soalon.jp/en/news/1595.html) and effective on 30th March, 2020.</p> <p>The interview with the sustainability manager and key staff of the mill confirmed that not only themselves but also the senior management team is well informed of the definition of ancient and endangered forests and other controversial sources. However, they are still in progress to implement the Canopy purchase policy in a systematic way.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company has already developed the operating manual for the implementation of FSC-CoC standards which is still to be supplemented soon with the extra standards of Canopy sourcing policy, but have not taken any concrete steps to develop action plans, standard operating procedures, nor management plans of the Canopy standards yet. The Company is going to add descriptions on requirements of Canopy Policy to the articles 3-2 and 9-2 of FSC-CoC Management Manual at its next revision.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p>Conformance with Indicator:</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>Description of the finding: Along with other colleagues interviewed at this audit, mainly Mr. Shingo Katsumoto at the Fiber and Textile Department of the Technology Group has the overall responsibility for sourcing policy implementation and confirmed at an interview that they are fully aware of the Canopy policy, overall structure of related divisions, and their responsibilities.</p>
<p>1.4 The MMCF producer has developed capacity and Company structure to implement the Policy.</p>	<p>Conformance with Indicator:</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>Description of the finding: The organization structure and training records for FSC-CoC implementation have been shared with the auditor as the common basis to be applied for Canopy policy implementation. The entire organization structure and part of the training programmes are going to be used also for the Canopy policy implementation purpose but still require further modification specially for Canopy policy implementation.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The responsible manager Mr. Katsumoto told the auditor that the Company notified the direct supplier Daicel of the Canopy policy standards via email. The upstream dissolving pulp 1 supplier Rayonier was also notified by direct supplier Daicel. However, any concrete requirements of documentation and procurement system were not made to the suppliers and any proof of notification has not been provided.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The responsible manager Mr. Katsumoto told the auditor that the Canopy policy was communicated to the tier 1 and 2 suppliers but not in the form of contract with binding obligation for both current and future suppliers.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company provided the auditor with the FSC-CoC management manual on which the supplier</p>

	<p>performance monitoring procedure is described, including monitoring frequency, monitoring method, and the evidence to be checked including FSC's open database.</p> <p>However, even though this can be partially applied, it is not designed mainly for the Canopy policy and thus additional system to monitor unique/non-overlapping requirements for Canopy policy is required.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The grievance procedure is prepared for FSC-CoC certification, which is intended to be redeveloped for CanopyStyle but still in progress.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**</p>	<p>Conformance with Indicator:</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> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has never received any complaint over its sourcing activities. This indicator is not applicable for this initial audit. However, after this audit, the company needs to develop and implement an action plan to address the non-conformance identified in this 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>Conformance with Indicator:</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>Description of the finding:</p> <p>The key managers at the Toyama Plant are familiar with the Canopy policy and provided its fair understanding at a remote interview.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy,</p>	<p>Conformance with Indicator:</p>

<p>when relevant. **</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>Description of the finding: Apart from Osaka Office in charge of fiber procurement, at Toyama plant the traceability procedures for FSC-CoC certification are described in the standard operation manual and its site manager explained it at a remote audit with full understanding. Since its scope of product line is identical with the one of Canopy audit, it is possible to consider the commitment partially met or in progress. However, the procedure to implement Canopy sourcing policy is not in place, as Canopy has different requirements in some areas with FSC certification. Having FSC is good due diligence, recognized by Canopy, and there are additional criteria that need to be met.</p>
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Summary: The Company has developed a fiber sourcing policy for Canopy requirements and published and shared it with tier 1 and 2 suppliers. However, it is without supporting procedures and trainings for implementation and not included in supplier contracts as binding requirements. On the other hand, the Company has already obtained an FSC-CoC certification and deals with FSC-CW source material only. With its material and product scope identical with the Canopy audit, the Company thus intends to apply/develop its FSC-CoC management system in order to meet the Canopy requirements by adding extra/non-overlapping standards in the near future. In this regard, most of the criteria commitment can be considered as in progress.

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
<p>2.1 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 the Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company has obtained an FSC-CoC certification with its material and product scope identical with the Canopy audit and deals with FSC Controlled Wood material only. Based on the supplier information form, the company concluded there was no risk in internal risk assessment. However, neither the advice note on Ancient and Endangered Forests or the Dissolving Pulp</p>

	<p>Classification tool was used for supply assessment. The procurement manager does not recognize the Forest Mapper, either.</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The supplier information form is filled and includes CoC tracking numbers, tree species, country, and forest region. The forest region is identified only up to state level (Georgia) but not county or FMU level. It is known that the timber material is sourced by rotation harvest from more than 10 FMUs in the state but not specifically identified where and which FMUs. It is still unknown whether those FMUs are owned by the wood chip supplier Rayonier or by its suppliers, which is possible to identify by asking Daicel to further investigate. Note, this audit confirms sourcing from tier 1 supplier, Daicel. Daicel has declared their supplier as Rayonier, but no additional evidence was provide to confirm this sourcing.</p> <p>The Company has obtained an FSC-CoC certification with its material and product scope identical with the Canopy audit.</p>
<p>2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>After this first audit, the Company aims to update their assessment every year. Based on the interview, the Company is willing to share the assessment with Canopy.</p>
<p>2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p>

	<p>All the criteria are included in the Company's Canopy policy and addressed in the form of FSC-CoC certification.</p> <p>Note: FSC Controlled Wood identifies risk of sourcing from converted forests, but does not consider the 1994 date. This indicator is therefore being graded as in progress.</p>
<p>2.5 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.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>As described on the CanopyStyle Verification Information Form, the Company is not willing to publish its suppliers but has shared and is willing to share them with its customers upon request by using the FSC-CoC information. FSC COC provides a track and trace system that can be used by the entire supply chain, but it does not provide information on suppliers publicly, and it is not being used downstream to the retailers in this case.</p>
<p>Summary: The Company has obtained an FSC-CoC certification with its material and product scope identical with the Canopy audit and deals with FSC-CW source material only. The company has, therefore, collected the supply chain information from the suppliers for the purpose of obtaining an FSC-CoC certification, but never conducted the risk assessment for the purpose of CanopyStyle qualification by using the advice note on Ancient and Endangered Forests nor the Dissolving Pulp Classification tool. Note, this audit confirms sourcing from tier 1 supplier, Daicel. Daicel has declared their supplier as Rayonier, but no additional evidence was provide to confirm this sourcing.</p> <p>The Company is willing to share supplier information with its customers but not with the public and still unsure with the Leaders' Group either, which requires further consultation with the management board.</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 areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The Company is not clearly informed of the initial date of the plantation development, nor is it documented. Rather, the company sources</p>

	<p>FSC Controlled Wood material to mitigate risks of conversion.</p> <p>The company's declared sourcing from Rayonier US, who has been evaluated by Canopy as not sourcing from a priority ancient and endangered forests, and is receiving FSC CW claims, which can indicate commitment met. However, sourcing has not yet been verified.</p>
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Summary: As mentioned in the criterion 2.2, the forest region of sourcing origin is identified only up to state level (Georgia) but not county or FMU level, thus, without any specific date of plantation development. For avoiding post 1994 conversion material, the Company deals only with the FSC-CW certified material in line with its CoC certification.

The company's declared sourcing from Rayonier US, who has been evaluated by Canopy as not sourcing from a priority ancient and endangered forests, and is receiving FSC CW claims, which can indicate commitment met. However, sourcing has not yet been verified.

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

Indicators	Findings
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.**	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The Company's policy includes these terms but without any clear definitions, except the term "ancient and endangered forests" for which the Forest Mapper is referred to as its definition.</p>
4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fiber that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group.**	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>According to the CanopyStyle Classification of Dissolving Pulp Mills, the mill of the Company's upstream dissolving pulp supplier, Rayonier Advanced Materials in Jesup, USA, is identified as not having any sourcing issues related to Ancient and Endnagered Forests in the Dissolving Pulp Classification Tool. However, Daicel's sourcing is not fully confirmed.</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	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p>

<p>adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p> <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The company sources from one supplier, Daicel, who declares sourcing from Rayonier (US). No materials have been identified as being sourced from ancient and endangered forests or other controversial sources as of this audit.</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>Conformance with Indicator:</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>Description of the finding: At the interview with the procurement manager, they were fully aware of all relevant laws and regulations by referring to the NRA list of legal instruments published by FSC. The FSC-CW status also indicates compliance with such laws.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company is FSC-CoC certified and deals only with the FSC Controlled Wood material, with its related policy and procedures included in the Operating Standard Procedures, which implies they are not sourcing from such forests. However, the Company is doing so without clear definitions of related terms and understanding of requirements in the CanopyStyle framework, thus not being capable enough to verify its commitment.</p> <p>Additionally, this audit found that the company is sourcing from Daicel, a cellulose acetate manufacturer, who has declared their supplier as Rayonier (USA), but has provided no additional evidence to confirm this as the only supplier. Low risk cannot be verified until their supplier, an MMCF</p>

	producer, is also verified against the CanopyStyle audit framework.
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Summary: the CanopyStyle Classification of Dissolving Pulp Mills for the Company’s only tier 1 supplier, the Company’s FSC-CoC status, and the fact that the Company deals only with FSC-CW material collectively indicate low risk of sourcing from ancient and endangered forests and other controversial sources. However, the Company does not have clear definitions and understanding of related terms and exact sourcing areas, thus still not being capable enough to verify its own commitment in the CanopyStyle framework. Additionally, this audit found that the company is sourcing from Daicel, a cellulose acetate manufacturer, who has declared their supplier as Rayonier (USA), but has provided no additional evidence to confirm this as the only supplier. Low risk cannot be verified until their supplier, an MMCF producer, is also verified against the CanopyStyle audit framework.

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 All MMCF producers’ suppliers are identified and the forest of origin is known.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The Company has obtained an FSC-CoC certification, deals only with FSC-CW material, and identified all the tier 1 (Daicel) supplier sources from 1 supplier (Rayonier US). However the sourcing by their tier 1 supplier has only been declared and not verified via an audit.</p> <p>The forest region is identified only up to state level (Georgia) but not county or FMU level. It is known that the timber material is sourced by rotation harvest from more than 10 FMUs in the state but not specifically identified where and which FMUs.</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other 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>Conformance with Indicator:</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>Description of the finding:</p>

	<p>Engagement and withdrawal policies are mentioned in its Canopy policy but their procedures are not systematically defined on the Company's side.</p> <p>The responsible manager Mr. Katsumoto told the auditor that the Canopy policy was communicated to the tier 1 and 2 suppliers but not in the form of contract with any binding obligation and withdrawal rule, either.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	<p>Conformance with Indicator:</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> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>There has been no case of identified non-conformance or withdrawal.</p>
<p>Summary: The Company has identified all the tier 1 and 2 suppliers based on its FSC-CoC certification to deal with FSC-CW material. The forest region is identified up to state level (Georgia) but not county or FMU level.</p> <p>Engagement and withdrawal procedures are not systematically defined on the Company's side, nor are they shared with its suppliers in any binding form.</p>	

<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</p>	
<p>Indicators</p>	<p>Findings</p>
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The procurement manager did not recognize the Leaders Group. He needs to and is willing to discuss with the management board whether to welcome those observers or not at this point.</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>Conformance with Indicator:</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> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>N/A – the dissolving supplier Rayonier does not source the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, based on Canopy dissolving pulp classification tool and the company’s internal assessment. Therefore, the company has not required its suppliers to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, 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>Conformance with Indicator:</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>Description of the finding:</p> <p>N/A – the dissolving supplier Rayonier does not source the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, based on Canopy dissolving pulp classification tool and the company’s internal assessment. Therefore, the company has not required its suppliers to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies and 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>Conformance with Indicator:</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>Description of the finding:</p> <p>N/A – the dissolving supplier Rayonier does not source the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, based on Canopy dissolving pulp classification tool and the company’s internal assessment. Therefore, the company has not required its suppliers to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection.</p>
<p>6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p>

<p>with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p> <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>Description of the finding: N/A – the dissolving supplier Rayonier does not source the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, based on Canopy dissolving pulp classification tool and the company’s internal assessment. Therefore, the company has not required its suppliers to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection.</p>
<p>Summary: The Company has discussed with its suppliers the potential to obtain FSC-FM certification in the sourcing areas. However, as the Company does not have enough understanding of its stakeholders including Leaders Group and has not fully identified them, the Company has never approached them with intention to work together for any kind of mapping identification, assessment, nor planning, especially for meeting CanopyStyle requirements.</p>	

7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.

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.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company has developed and expects its supplier to adopt a similar policy, systems, and procedures to implement Free, Prior, and Informed Consent of indigenous people and local communities by requiring FSC-CW materials but has not required suppliers to implement it in the form of binding contract.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>The tier 1 and 2 suppliers have been informed of the Company's Canopy policy which expects them to conform the Company's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. They are also supplying FSC-CW materials only from FSC COC certified companies that have systems in place (required by FSC) and are not sourcing from areas with First Nations.</p>
<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The tier 1 and 2 suppliers are FSC-COC certified and supply only FSC-CW materials, which could guarantee the conformance to this indicator as FSC-COC certified companies are required to have such a mechanism for their certified scope.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>During the remote audit, the Labour Union Collective Agreement of the Company was shown and explained to fully comply with relative national labour laws and cover other worker benefits/rights.</p> <p>Suppliers as well as the Company are FSC-CoC certified, which could provide a high level of confidence that the workers' rights are recognized and respected, as FSC-COC certified companies are required to do so.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>Since all the suppliers are FSC-CoC certified, it could provide a high level of confidence that ILO</p>

<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **</p>	<p>Declaration on Fundamental Principles and Rights at Work is upheld via certification requirements.</p> <p>Conformance with Indicator:</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>Description of the finding: Recognition of and respect for human rights is included in the Company's policy. Within the Company, there is a labour union which actively engages in the management of the Company. The Company and all suppliers are FSC-CoC certified and supply FSC-CW materials only. However, most of the materials are not being received with documentation to ensure this commitment is met all throughout the supply chain, back to the forest.</p>
<p>Summary: The Company and all suppliers are all FSC-CoC certified and supply FSC-CW material only, which could provide a high level of confidence that recognition, respect and upholding of human rights and the rights of communities and workers as well as ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
<p>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>	<p>Conformance with Indicator:</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>Description of the finding: The statement, rather than an internal action plan, is included in the Company's policy which reads: "We will explore and encourage the development of products using sustainable raw materials and manufacturing process, in collaboration with our suppliers." The Company has not taken and implemented any particular action.</p>
<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>	<p>Conformance with Indicator:</p> <p><input checked="" 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>Description of the finding: The Company is still in the stage of building a business case to start investing in next generation and searching for an opportunity to research on alternative raw materials.</p>
<p>Summary: The Company has stated its intention to explore and encourage the development of alternative raw materials in its policy but has not taken any particular action.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **	<p>Conformance with Indicator:</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>Description of the finding: No record of such participation in events exists.</p>
9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities. **	<p>Conformance with Indicator:</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>Description of the finding: The company has not yet been prompted.</p>
9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.	<p>Conformance with Indicator:</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>Description of the finding: The Company does not publicly support large scale scientifically based conservation solutions for preserving designated protected and conservation areas.</p>
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. **	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress</p>



	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The Company is not sourcing directly from the forest via an integrated supply chain.
Summary: The Company is FSC-CoC certified and deals only with FSC-CW materials, however this certification is not sufficient to meet the requirements for advocacy and conservation solutions. Apart from such certifications, the Company has not taken any particular action to advocate conservation solutions in public, such as participation in regional conservation forest planning, webinars and roundtables, writing to decision makers, and conference announcement.	

10. Responsible forest management	
Indicators	Findings
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.**	Conformance with Indicator: <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 Description of the finding: The Company policy gives a preference to FSC certified materials and holds FSC-CoC certification. The Company deals with FSC-CW materials only, which are not considered FSC certified materials. An action plan to increase FSC intake is now under consideration but not yet formalized.
Summary: The entire supply chain is FSC-CoC certified and composed of FSC-CW materials only, but an action plan to increase FSC certified materials is not yet implemented.	

11. Reduction of Greenhouse Gas (GHG) Footprint by Recognizing the importance of forests and peatlands as carbon storehouses	
Indicators	Findings
11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	Conformance with Indicator: <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 Description of the finding: On its Canopy policy, the Company recognizes the importance of forests as carbon reserves and

	<p>declares to support efforts to reduce the loss of carbon-valued forests by prioritizing transactions with suppliers that take the opportunity to avoid harvesting in the region and that adopt strategies to actively and effectively reduce greenhouse gas emissions. However, there is yet no procedures defined in detail to evaluate its 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>Conformance with Indicator:</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>Description of the finding: According to the Company's Canopy policy, the Company gives preference to the certified or FSC-CW materials and the suppliers that have management measures to protect forest and peatlands, which, however, is not a procedure to address this issue.</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>Conformance with Indicator:</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>Description of the finding: The Company clearly states its preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands on its Canopy policy while the Company and its suppliers are FSC-CoC certified and deal with FSC-CW materials only, which are believed to be not operating in intact forest landscapes or on drained tropical peatlands. Current declared supplier of diacel has yet to be confirmed as the sole supplier via an audit.</p>
<p>Summary: On its Canopy policy, the Company recognizes the importance of forests as carbon reserves and declares to support efforts to reduce the loss of carbon-valued forests by prioritizing transactions with suppliers that take the opportunity to avoid harvesting in the region and that adopt strategies to actively and effectively reduce greenhouse gas emissions. However, apart from getting FSC-CoC certified and dealing only with FSC-CW materials, the Company does not have any procedures to evaluate or document its suppliers' performance in reducing GHG and protecting forest and peatlands. Current declared supplier of diacel has yet to be confirmed as the sole supplier via an audit.</p>	

12. Pollution Prevention



Indicators	Findings
<p>12.1 This verification process <u>will not</u> address 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 https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <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>Description of the finding:</p> <p>The Company is not fully aware of the ZDHC new viscose guidelines and thus needs to learn it for further implementation.</p>
<p>Summary: The Company is active in reducing its environmental impact but not fully aware of the ZDHC new viscose guidelines and thus needs to learn it for further investment.</p>	

** Indicates Critical Indicators



Appendix B: STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill Checklist)

1. Evaluation of <Choose site type> <enter site name>

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Shingo Katsumoto, Fiber and Textile Dept., Technology Group
Auditor(s):	Yuki Nakamura
People Interviewed, Titles:	<p><Osaka Office, West Japan Branch></p> <p>-Mr. KATSUMOTO Shingo (勝元 慎吾): Member of Technology Group, Fiber Dept.</p> <p>-Mr. SAEGUSA Takaakira (三枝 高彬): Member of Consumer Products Segment</p> <p>< Filament Production Dept., Toyama Plant ></p> <p>-Mr. HAYASHIDA Kazuaki (林田 和明): Department Director</p> <p>-Mr. TSUTSUMI Shinichiro (堤 晋一郎): Section Chief of Filament Production</p> <p>-Ms. SHIBATA Megumi (柴田 恵): Manager of Production Technology Group</p> <p>-Mr. KONDO Masahiro (近藤 匡泰): Member of Production Technology Group</p>
Brief Overview of Audit Process for this Location:	Please refer to Section 3.3 above for Description of Overall Audit Process.
Comments: Fiber and Textile Department of the Technology Group of the Company 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 their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</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>Description of the finding:</p>

	<p>The key managers at the Toyama Plant are familiar with the Canopy policy and provided its fair understanding at a remote interview.</p>
<p>1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</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>Description of the finding: Apart from Osaka Office in charge of fiber procurement, at Toyama plant the traceability procedures for FSC-CoC certification are described in the standard operation manual and its site manager explained it at a remote audit with full understanding. Since its scope of product line is identical with the one of Canopy audit, it is possible to consider the commitment partially met or in progress. However, the procedure to implement Canopy sourcing policy is not in place, as Canopy has different requirements in some areas with FSC certification. Having FSC is good due diligence, recognized by Canopy, and there are additional criteria that need to be met.</p>
<p>Summary: The Company has developed a fiber sourcing policy for Canopy requirements but without supporting procedures and trainings for implementation. On the other hand, the Company has already obtained an FSC-CoC certification and deals with FSC-CW source material only. With its material and product scope identical with the Canopy audit, the Company thus intends to apply/develop its FSC-CoC management system in order to meet the Canopy requirements by adding extra/non-overlapping standards. In this regard, the criteria commitment can be considered as in progress.</p>	

<p>2. Sourcing from transparent supply chains that are in conformance with the policy.</p>	
<p>Indicators</p>	<p>Findings</p>
<p>2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</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>Description of the finding: The mill is not involved in wood pulp sourcing. Purchase and sales information is recorded, kept, and summarized by the Osaka office to be submitted for the purpose of FSC-CoC certification audit but without a specific identification of the forest of origin.</p>

<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</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>Description of the finding: The mill has no sourcing activity of wood pulp nor cellulose acetate but maintains the delivery documents of cellulose acetate managed by the procurement manager at Osaka. However, the forest of origin is not presented on these documentations.</p>
<p>2.8 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>	<p>Conformance with Indicator:</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>Description of the finding: The mill has no sourcing activity of wood pulp. The certification code and claim are included on the commercial invoice and packing list from the supplier Daicel and recorded in a summary to be submitted for the purpose of FSC-CoC certification audit.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</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>Description of the finding: The mill has no sourcing activity of wood pulp. Purchase and sales information is recorded, kept, and summarized to be submitted for the purpose of FSC-CoC certification.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>Conformance with Indicator:</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>Description of the finding:</p>

	<p>The mill has no sourcing activity of wood pulp. The delivery notes from the company, of which 3 samples were submitted, carry FSC certificate code, CW code, and certificate claim according to their FSC procedure. However, the delivery note does not include the forest/plantation of origin.</p>
<p>Summary: The mill has no sourcing activity of wood pulp. The delivery documents, of which some samples were submitted by the procurement manager at Osaka Office, carry FSC certificate code, CW code, and certificate claim according to their FSC procedure. However, those documents do not include the forest/plantation of origin</p>	

4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.	
Indicators	Findings
<p>4.4 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>Conformance with Indicator:</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>Description of the finding: At the interview with the procurement manager, they were fully aware of all relevant laws and regulations by referring to the NRA list of legal instruments published by FSC. The FSC-CW status also indicates compliance with such laws. The authority-approved property registration and articles of incorporation were also submitted to support its domestic legal compliance.</p>
<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p>Conformance with Indicator:</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>Description of the finding: By interviews, the management staff of the mill demonstrated their understandings on ancient and endangered forests and controversial sources. The mill has no sourcing activity of wood pulp.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The mill has no sourcing activity of wood pulp and the assessment is to be conducted by the sustainability manager at Osaka office.
4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.	Conformance with Indicator: <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 Description of the finding: According to the CanopyStyle Classification of Dissolving Pulp Mills, the mill of the Company's only tier 1 supplier, Rayonier Advanced Materials in Jesup, USA, is not in a CanopyStyle policy specified area of Ancient and Endangered Forest but is located in a region where there are possible deforestation risks, based on an analysis of proximity of Ancient and Endangered Forests to the mill location and FSC's national risk assessment for the USA (https://us.fsc.org/en-us/certification/controlled-wood/fsc-us-controlled-wood-national-risk-assessment-us-nra). Preliminary assessment, based on an analysis of proximity of Ancient and Endangered Forests to the mill location and FSC's national risk assessment for the USA, indicates that risk of deforestation, namely threats related to conversion and degradation of rare forests, is being addressed through mitigation measures by the supplier. Additionally, this audit found that the company is sourcing from Daicel, a cellulose acetate manufacturer, who has declared their supplier as Rayonier (USA), but has provided no additional evidence to confirm this as the only supplier. Low risk cannot be verified until their supplier, an MMCF producer, is also verified against the CanopyStyle audit framework.
Summary: The interviews with the management indicates they were aware of all relevant laws and regulations. At the time of this audit, there is no news and information in the public domain that the Company is non-compliance with national and international laws. Key managers of each	

position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Preliminary assessment by CanopyStyle indicates that risk of deforestation, namely threats related to conversion and degradation of rare forests, is being addressed through mitigation measures by the supplier. Supplier and material sourcing risk is yet about to be evaluated by the procurement team at Osaka by asking their suppliers for more detailed information on the exact sourcing areas. Additionally, this audit found that the company is sourcing from Daicel, a cellulose acetate manufacturer, who has declared their supplier as Rayonier (USA), but has provided no additional evidence to confirm this as the only supplier. Low risk cannot be verified until their supplier, an MMCF producer, is also verified against the CanopyStyle audit framework.

5. Actions if suppliers contravene criteria	
Indicators	Findings
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p>Conformance with Indicator:</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> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Procurement team at Osaka office in in charge of supplier performance monitoring program. Engagement and withdrawal policies are mentioned in its Canopy policy but their procedures are not systematically defined on the Company's side.</p> <p>The responsible manager Mr. Katsumoto told the auditor that the Canopy policy was communicated to the tier 1 and 2 suppliers but not in the form of contract with any binding obligation and withdrawal rule, either.</p>
Summary: Procurement team at Osaka office in in charge of supplier performance monitoring program.	



Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Mitsubishi Chemical Corporation for continuous improvement

October 20 2021

Canopy applauds Mitsubishi for completing its first CanopyStyle audit. The audit demonstrates that Mitsubishi has reduced its risk of sourcing from Ancient and Endangered Forests and other controversial sources.

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

- Risk levels cannot be verified for one supplier, which is also an MMCF producer. This producer must be verified against the CanopyStyle audit framework to confirm low risk. Canopy recommends Mitsubishi work with this supplier to initiate an audit process.
- Ensure that contracts with current and future suppliers include a requirement to implement Mitsubishi's fibre sourcing and forest policy, and communicate this with suppliers.
- Develop and implement an internal action plan (including timeline and milestones) 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. Demonstrate progress towards developing commercial-scale production based on alternative fibre sources.
- Implement the company's FSC preference by implementing an action plan to increase the amount of certified fibre used, with a preference for fibre from FSC certified forests (FSC 100%).
- With support from Canopy, support large-scale, science-based conservation solutions, and international and national targets and programs for preserving designated protected and conservation areas.
- 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 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 Mitsubishi develop and implement action plans for these priority issues, so that they can be addressed prior to the next audit.

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



Once again, we congratulate you for the completion of your audit and for proactively taking steps to screen for, and ensure no use of, Ancient and Endangered Forests and other controversial sources. We look forward to working collaboratively with Mitsubishi to address these recommendations and other outstanding issues.

Appendix



CanopyStyle Audit Report for Daicel Corporation

Assessment 2022

Evaluation date: 2nd September, 2022

Report date: 12 June, 2023

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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 Daicel Corporation hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 2021 version⁶) and related guidance documents⁷ developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)⁸ 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 Forests⁹.

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.

⁶ <https://canopyplanet.org/wp-content/uploads/2021/02/CanopyStyle-Audit-Guidelines-and-Verification-Framework-ENG-CHN.pdf>

⁷ <https://canopyplanet.org/resources/canopystyleaudit/canopystyle-audit-guidelines/>

⁸ Current members of this group are H&M, M&S, Inditex/Zara, EILEEN FISHER, Stella McCartney and Canopy

⁹ <https://canopyplanet.org/wp-content/uploads/2019/10/AdviceNoteCanopyStyleAudits.pdf>



1. GENERAL DESCRIPTION

1.1 Company overview

Daicel Corporation is a chemical company based in Japan that was formed in 1919 under the name of Dainippon Celluloid Company from a merger of eight regional celluloid manufacturers and changed its name to the present one in 1966. Its business operation ranges from celluloid technologies and organic chemicals to high-performance chemicals, polymers, and pyrotechnic devices. The company's products include cellulose acetate, tow for cigarette filters, high-performance chemicals, engineering plastics like liquid crystal polymers (LPCs), resin compounds, and automotive airbag inflators. It is one of the main suppliers of cellulose acetate for MMCF producers in the country.

1.2 Company scope (sites, locations, etc)

Located on the coast of the Seto Inland Sea, in Himeji City, Hyogo prefecture of the central Japan, their main and only production site, Aboshi Plant, produces cellulose acetate in the flake form.

Under the scope of this audit, dissolved pulp is imported from a US supplier, Rayonier, and then chemically processed with acetic acid into cellulose acetate by the Company, and to be supplied to the MMCF producer, Mitsubishi Chemical Corporation (MCC).

1.3 Company sourcing policy

In order to meet the needs of textile industry, the Company has established the following "Pulp Procurement Policy" to use wood pulp in the production of cellulose acetate, which is supplied as a raw material for MCC's triacetate fiber "Soalon," and engages in responsible procurement.

Pulp Procurement Policy

We will prioritize procurement from suppliers who demonstrate consideration for biodiversity and the global environment. We will preferentially purchase pulp sourced from timber grown in appropriately managed forests that have been granted forest certifications from third-party environmental organizations. We will not procure wood pulp from the following forests or regions: natural forests that do not readily regenerate, such as the primeval boreal forests of Canada, Alaska, and Russia; the tropical forests and peat bogs of Indonesia, the Amazon, and West Africa; and other endangered ancient forests; illegally logged forests; illegally registered forests; areas where logging practices violate the rights of indigenous peoples and local residents; plantations established after 1994; and wood that has been genetically modified.

If we determine that the raw material we have procured has been sourced from a protected forest identified above or is the product of illegal logging operations, we will reexamine our supply chain and modify our procurement methods. We will also commit to reviewing our business relationships with our suppliers when we deem it necessary.

We will collaborate with various organizations (such as Canopy) on the above initiatives in the interests of forest protection and will promote sustainable forest management and the ongoing protection of endangered forests.

Recognizing, Respecting and Protecting Human Rights and the Rights of Local Communities



Daicel expects its suppliers to respect the Universal Declaration of Human Rights and recognize the right of indigenous peoples and local communities to use the territories, land, and resources under their management and afforded to them by laws and customs. Daicel supports the right of indigenous peoples to free, prior, and informed consent (FPIC) in the allocation of new logging concessions or woodlot development. Should a complaint, dispute, or human rights violation occur, we will require the supplier concerned to resolve and correct it through a transparent and consensual processes and to provide accountability.

Reducing Greenhouse Gas Emissions

Daicel recognizes the importance of forests as carbon sinks and supports efforts to reduce the loss of forests offering high value as stores of carbon. Therefore, we urge our suppliers to avoid harvesting in such areas and give priority to doing business with suppliers who adopt proactive strategies to effectively reduce greenhouse gas emissions.

Developing Innovative Materials with a Focus on Sustainability

Daicel collaborates with its suppliers and customers to explore product development using sustainable raw materials and manufacturing methods.

Securing the Transparency and Traceability of Our Raw Material Procurement Process

Daicel is committed to ensuring the transparency of its supply chain and is improving the traceability of its wood-sourced pulp and other raw materials.

Decisions for secondary processing inputs for the filament production facility are made centrally by MCC, while original pulp purchases for its primary processing into cellulose acetate are made independently by the Company. In order to enable procurement of FSC controlled wood materials, MCC shares the sourcing policy with its 1st and 2nd tier suppliers and paid the audit fee for the FSC-CoC certification of the Company. Today, 100% of the Company's wood-derived supply for MCC's MMCF production is from FSC Controlled Wood sources.

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	100% dissolving pulp, as approved by FSC as well	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: The Company has examined overlap based on the source information only at the state level and areas within approximate radius distance from dissolving mills but has not confirmed with its county- or FMU-level areas, which is thus without enough resolution.
Mill Capacity:	processed 2552 ton/year, full capacity not disclosed	
Primary Activity:	Cellulose acetate production, to be further processed into triacetate fiber	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input checked="" type="checkbox"/> Non-certified subcontractors (reported to FSC with the required MoU)
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 439	Permanent female: 53
	Contract male: 58	Contract female: 7
	TOTAL: 557	(Group company total: 640)

Sites included in evaluation	Location
Dept. Office	JR Shinagawa East Bldg., 2-18-1 Konan, Minato-ku, Tokyo 108-0075 Japan
Aboshi Plant	1239 Shinzaike, Aboshi-ku, Himeji-shi,

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Yuki Nakamura	<ul style="list-style-type: none"> -Preferred by Nature - Responsible Sourcing Consultant -Consultant for due diligence system & certification -With academic and professional experiences of over 10 years in forest industry and timber supply/value chains worldwide, focused on FLEGT and REDD+ particularly in Asia-Pacific & Eastern Europe regions -Former project leader of the Country Specific Guidelines of the Clean Wood Act of Japan -Former REDD+ technical expert for national forest monitoring systems of JICA int'l coop project -MSc. Forest Ecology and Management -BSc. Environmental Studies Policy Option

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Aboshi Plant	2 nd September, 2022	8 hours

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

3.3 Description of Overall Audit Process

The Company shared all the company profile, supplier list, and system documents with the Preferred by Nature supervisor for review while the auditor shared an audit plan with the Company before the audit.

On 2nd September, 2022, the onsite audit session started with an opening meeting with the presence of two key staff members in charge of cellulose acetate production and relationship with client companies demanding the Canopy audit. The brief introduction of auditing body and auditor, the objective, scope, procedures, and schedule of the audit, and finally the conflict of interest (COI) issues were communicated followed by a Q&A session. Then, Senior Manager of Cellulose Marketing gave a brief introduction of the Company and operation activities with emphasis on the continuous efforts made on FSC CoC certification and its application to the Canopy sourcing policy implementation.

Following the opening meeting, the auditor interviewed the management team regarding



Following the opening meeting, the auditor interviewed the management team regarding

each of the system documents provided by the Company in advance. First, the auditor thoroughly examined the raw material procurement policy and its action plan and practices

for the following five principles: 1) protection of endangered forests and ecosystems; 2) recognizing, respecting, and upholding human rights and the rights of local communities; 3) reduction of greenhouse gas emissions; 4) innovative and alternative fiber development; and 5) transparency, traceability, and verification. Also, by referring to each of the submitted documents for FSC CoC certification audit, the interviewees provided detailed explanation especially on the company structure, operation standards, Canopy training, and supplier management.

After interview with management, site inspection was held around the plant, with focus on input and output inventory management. Then, related documents were reviewed, such as Wood Pulp Sourcing Policy and standard operational procedures, Annual Volume Summary Data, purchase documents, Training Plan and records, and communication with the suppliers, etc. The auditor examined all the performance indicators and identified further questions to obtain missing information.

The closing meeting was held to briefly explain the main findings to the Company.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive Findings:

The Company has developed a sourcing policy in line with CanopyStyle initiative and communicated this policy with its only supplier. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

Even without the CanopyStyle-oriented standard operation procedure, the Company has obtained an FSC-CoC certification and deals with FSC Controlled Wood source material only, with its material and product scope covering that of this Canopy audit. The FSC-CoC management system is thus already available and applied, just must be developed with extra/non-overlapping standards in order to meet the Canopy sourcing policy requirements.

The Company has also used all of the Forest Mapper, advice note on Ancient and Endangered Forests, and the Dissolving Pulp Classification tool for risk assessment on the supplier to verify supplier's compliance with the Canopy policy.

Given this FSC-CoC certification and its CW-certified material combined with the use of the Canopy risk assessment tools, the Company is reasonably supposed to have covered some parts, but not all, of the basic requirements regarding legality and risks related to violation of human rights, post-1994 conversion of natural forests to plantations, and use of Genetically Modified Organism, with its chain of custody in place and in transparency.

Areas for Improvement:

Even though the Company has obtained an FSC-CoC certification and deals with FSC-CW source material only, they need to develop Canopy-oriented SOP and include Canopy requirements in supplier contracts as binding requirements, along with engagement and withdrawal procedures in the case of violation. In order to verify supplier's compliance with the Canopy requirements, the Company needs to request and obtain documentation on its conformance from its supplier and should not rely only on the FSC-CoC/CW status of its supplier.

The forest region of origin is identified only up to state level and radius distance from pulping mills, but not to county or FMU level, and site-specific volume of each timber supplier's input is not clear, either. The use of the Forest Mapper requires specification of sourcing sites with higher resolution and otherwise makes it difficult for the Company to completely verify supplier's compliance with the Canopy policy to the end.



This source identification is important especially because the CanopyStyle Classification of Dissolving Pulp Mills states that the pulp mills of the Company's only supplier, Rayonier Jesup in USA, are not located in CanopyStyle policy specified areas of Ancient and Endangered Forest, but are located in a region where there are possible deforestation risks. Even though the preliminary assessment indicates that risk of deforestation is being

addressed through mitigation measures and thus its risk is low, the Company has not identified the forest region of origin to county or FMU level for risk assessment with higher resolution on their own, not simply as the supplier's self-declaration or info provided by Canopy.

Regarding the stakeholder relations and transparency, the Company is willing to share supplier information with its customers, the public, and the Leaders' Group, but has not done so yet. Firstly, the Company has not fully identified its stakeholders, so the Company has never approached them with intention to work together for any kind of mapping identification, assessment, nor planning. Stakeholder identification, including forest level suppliers, local communities, and ENGOs would be the first step for obtaining stakeholders' cooperation to effectively implement its policy and verify its implementation. By doing so, it is also possible to take actions with them to advocate conservation solutions in public, such as participation in regional conservation forest planning, webinars and roundtables, writing to decision makers, and conference announcement, which the Company has never done yet.

In addition, the Company is not active in the development of innovative and alternative fiber. The Company does not have any action plan for alternative fiber development, especially since cellulose acetate requires higher purity of wood pulp than viscose cellulose and paper-grade cellulose, which makes it difficult to alternate or recycle fiber for its production.

The Company has made great efforts to obtain the FSC-CoC certification and deal with its CW materials only, but does not have any FSC-certified sources in their supply. An action plan to increase FSC 100% or Mix with higher % over Controlled Wood intake is recommended in negotiation with the supplier but the large number of forest level suppliers makes it difficult. Still, it is important not to just rely on certification and direct supplier but also to identify forest origins with higher resolution and get able to reach out to the local stakeholders so that the Company can verify and advocate the Canopy compliance at the onsite level.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Rayonier Advanced Materials DPM: Jesup GA Pulp Mill in Georgia, USA	Low Risk	Local risk mitigated through supplier action

4.2 Summary of findings

Rating	Color
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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 **	Commitment in Progress
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	Commitment in Progress
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	Commitment Met
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	Commitment Met
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	Commitment Met
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Commitment in Progress
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	Commitment in Progress
	1.8 The MMCF producer has put in place a grievance procedure.	Commitment Met
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	Not Applicable
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	Commitment Met
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	Commitment in Progress

<p>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy</p>	<p>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>	<p>Commitment Met</p>
	<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>	<p>Commitment Met</p>
	<p>2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Commitment in Progress</p>
	<p>2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.</p>	<p>Commitment in Progress</p>
	<p>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.</p>	<p>Commitment in Progress</p>
	<p>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.</p>	<p>Commitment in Progress</p>
<p>3. No conversion of natural forest to plantations</p>	<p>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>	<p>Commitment in Progress</p>
<p>4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated</p>	<p>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. **</p>	<p>Commitment in Progress</p>
	<p>4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fiber that have a high risk of being considered controversial sources have been</p>	<p>Commitment Met</p>

	identified and shared with Canopy, with permission to share Leaders Group. **	
	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. **	Commitment in Progress
	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. **	Commitment in Progress
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	Commitment in Progress
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. **	Commitment in Progress
	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.)	Commitment in Progress
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	Not Applicable
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. **	Commitment Met
*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	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. **	Not Applicable

<p>sourcing. (if, and when the producer is vertically integrated, they may excute the conservation planning and FSC certification themselves)</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>Not Applicable</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>Not Applicable</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>Not Applicable</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 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</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>Commitment in Progress</p>

<p>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>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>Commitment Met</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>Commitment Met</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>Commitment Met</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>Commitment in Progress</p>
<p>8. Development of Innovative and Alternative Fiber</p>	<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and</p>	<p>Commitment Not Met</p>

	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. **	
	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.	Commitment Not Met
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. **	Commitment Not Met
	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. **	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.	Commitment Not Met
	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. **	Not Applicable
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. **	Commitment in Progress
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.	Commitment Not Met
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	Commitment in Progress
	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	Commitment Met



	identified, withdrawn from and are restoring peatlands and their hydrology. **	
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 https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	Not Applicable

4.3 Volume Summaries¹⁰

Reporting period: 09/2021–08/2022

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	2552 t/year	100%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	-	-
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	-	-
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	-	-
Non-FSC	Material received with no FSC claim.	-	-
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	-	-

¹⁰ The volume summary is provided by the organization.

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

1. Evaluation of Site: Chain Production Company at Aboshi Plant

Primary Responsible Person: (Responsible for control system at site(s))	-Hiroki KARAKANE Senior Manager, Cellulose Marketing, Acetyl BU, Material SBU
Auditor(s):	Yuki Nakamura
People Interviewed, Titles:	-Hiroki KARAKANE Senior Manager, Cellulose Marketing, Acetyl BU, Material SBU -Masayuki HIEDA Quality Assurance Manager, Chain Production Company
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments: Chain Production Company at Aboshi Plant is responsible for procurement 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>Conformance with Indicator:</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
	Description of the finding:

	<p>The Company has established a procurement policy for wood-derived materials aimed at the responsible use of wood-derived materials, which was posted on the website (https://www.daicel.com/cell_ac/en/news/20220831.html) effective since 31st August, 2022. It is not confirmed if the senior management team is well informed of the sourcing policy.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company has already developed the operating manual for the implementation of FSC-CoC standards which is to be supplemented with the extra standards of Canopy sourcing policy, but have not taken any concrete steps to develop action plans, standard operating procedures, nor management plans of the Canopy standards yet. The Company is going to add descriptions on requirements of Canopy Policy to the FSC-CoC Management Manual at its next revision.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The Sales Dept. Head at HQ has the overall responsibility for the sourcing policy implementation, with support from the organization set-up which was originally prepared for FSC-CoC.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p>Conformance with Indicator:</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>Description of the finding: The organization structure and training records for FSC-CoC implementation are</p>

	available as the common basis to be applied for Canopy policy and SOP implementation.
1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**	<p>Conformance with Indicator:</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>Description of the finding: The Company notified the supplier of the Canopy policy standards via email, with its record provided to the auditor as proof of notification and supplier confirmation.</p>
1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**	<p>Conformance with Indicator:</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>Description of the finding: The Canopy policy was communicated to the supplier but not in the form of contract with binding obligation.</p>
1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**	<p>Conformance with Indicator:</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>Description of the finding: The Company has the FSC-CoC management manual available, on which the supplier performance monitoring procedure is described, including monitoring frequency, monitoring method, and the evidence to be checked including FSC's open database. However, the Company has not implemented any systematic, comprehensive monitoring procedures for evaluating supplier's status of forest certification, material sourcing practices, and conservation activities. Neither has the Company developed any system to identify the sourcing sites at county or FMU level, which makes the resolution of evaluation too abstract.</p>
1.8 The MMCF producer has put in place a grievance procedure.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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 Description of the finding: The grievance procedure prepared for FSC-CoC certification is available also for CanopyStyle as written in its sourcing policy.
1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**	Conformance with Indicator: <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 Description of the finding: Same as the grievance procedure, its action plan is prepared for FSC-CoC certification, which is available also for CanopyStyle as written in its sourcing policy. The Company has never received any complaint over its FSC-CoC certification or Canopy-related issues.
1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**	Conformance with Indicator: <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 Description of the finding: Quality Assurance Manager at the Aboshi Plant shows clear familiarity with the Canopy policy and provided its fair understanding at interview. They have been also trained on FSC-CoC certification, which is partially applicable to the Canopy requirements.
1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**	Conformance with Indicator: <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 Description of the finding: Aboshi Plant oversees fiber procurement and thus its Quality Assurance Manager has the



	traceability procedures for FSC-CoC. However, any SOP of CanopyStyle has not been produced yet.
<p>Summary: The Company has developed a wood pulp sourcing policy for Canopy requirements and published and shared it with their only supplier. However, its concrete implementation procedures are not developed as SOP, and its compliance with Canopy policy is not included in supplier contracts as binding requirements.</p> <p>On the other hand, the Company has already obtained an FSC-CoC certification and deals with FSC Controlled Wood only. With its material and product scope covering those of this Canopy audit, the Company thus can apply/develop its FSC-CoC management system in order to meet the Canopy requirements by adding extra/non-overlapping standards. In this regard, most of the criteria commitment can be considered as partially in progress as to modify FSC-CoC procedures to cover Canopy requirements.</p>	

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>Conformance with Indicator:</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>Description of the finding: With 100% of raw material input being dissolving wood pulp, the Company has obtained an FSC-CoC certification and deals with FSC source material only, namely FSC Controlled Wood.</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>Conformance with Indicator:</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>Description of the finding: The Company has used the Forest Mapper, advice note on Ancient and Endangered Forests, and the Dissolving Pulp Classification tool for risk assessment on the supplier. However, they have identified sourcing sites only at state level and its radius distance from mills but not at county or FMU level.</p>
2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The Company has identified the exporting/processing supplier but not local suppliers at forest level. They have identified sourcing sites only at state level and its radius distance from mills but not at county or FMU level.
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group</p>	Conformance with Indicator: <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 Description of the finding: After this first audit, the Company aims to establish their assessment procedures and implement them every year but has not done so yet. They are willing to share its results with the Leaders Group if necessary with specified purpose and NDA.
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	Conformance with Indicator: <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 Description of the finding: All the criteria are included in the Company's Canopy policy and addressed in the form of FSC-CoC certification. However, just FSC is not sufficient. FSC certification does not fully address legality and FSC Controlled wood does not guarantee that the material does not originate from forests converted post 1994.
<p>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.</p>	Conformance with Indicator: <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 Description of the finding: The Company is willing to publish its suppliers but has not done so yet. The

	<p>Organisation purchases material carrying an FSC Controlled Wood, which provides some level, but not full traceability.</p>
<p>Summary: The Company has obtained an FSC-CoC certification with its material and product scope covering those of the Canopy audit and deals with FSC Controlled Wood material only. The company has, therefore, collected the supply chain information from the only supplier for the purpose of obtaining an FSC-CoC certification. The Company has also used the Forest Mapper, advice note on Ancient and Endangered Forests, and the Dissolving Pulp Classification tool for risk assessment on the supplier.</p> <p>However, because they have identified sourcing sites only at state level and radius distance from mills, but not at county or FMU level, the resolution level for use of the Forest Mapper is not satisfactory enough.</p> <p>The Company is willing to share supplier information with the public and the result of risk assessment with the Leaders' Group but simply has not done so yet.</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 areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The Company is informed of the initial date of the plantation development only in its approximation. They deal only with FSC Controlled Wood material, which is however not FSC-certified and therefore not enough to exclude post 1994 conversion material. They could identify sourcing sites at county or FMU level and thus the more detailed initial dates of the plantation development.</p>
<p>Summary: As mentioned in the principle 2, they have not identified sourcing sites at county or FMU level, thus, without any specific date of plantation development but only in its approximation (i.e. 70's, 80's). The Company deals only with the FSC Controlled Wood material in line with its CoC certification, which is not enough for avoiding post 1994 conversion material.</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 & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc.</p>	<p>Conformance with Indicator:</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>that are consistent with this document and the forest sourcing policy template.**</p>	<p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's policy includes those terms but without term definitions included in the document. The Company policy could include those definitions written on the same document.</p>
<p>4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fiber that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group.**</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company has used the Forest Mapper, advice note on Ancient and Endangered Forests, and the Dissolving Pulp Classification tool for risk assessment on the supplier.</p>
<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>Conformance with Indicator:</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>Description of the finding: For any raw material acquired before the Policy was adopted by the Company, they have not identified its sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of "ancient and endangered forests," either.</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>Conformance with Indicator:</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>Description of the finding: Even though the FSC-certified status of all the material indicates compliance with such laws, the key staff members are not fully aware of relevant laws and regulations.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

	<input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>The Company is FSC-CoC certified and deals only with the FSC Controlled Wood material. The supplier, Rayonnier Jessup's sourcing area is also generally known and is not in A&E forests. However, there is some suggested risk of deforestation.</p> <p>The Company is yet sourcing such FSC-CW material without clear definitions and understanding of relevant laws and exact sourcing areas in the CanopyStyle framework, thus not being capable enough to verify its commitment.</p>
<p>Summary: In spite of the Company's FSC-CoC status and the fact that the Company deals only with FSC-CW material, the Classification of Dissolving Pulp Mills for the Company's only supplier, Rayonnier Jessup, suggests that even though sourcing area is generally known and is not in A&E forests, there is some suggested risk of deforestation. The Company has not identified exact sourcing areas, thus still not being capable enough to verify its own commitment in the CanopyStyle framework.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>The Company has obtained an FSC-CoC certification, deals only with FSC-CW material, and identified the only exporting and processing supplier.</p> <p>However, the Company has not identified its forest level suppliers and its sourcing sites at county or FMU level, but only at state level and radius distance from mills.</p>
5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**	<p>Conformance with Indicator:</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>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: While the Canopy policy has been communicated and unofficially agreed on by the supplier, it is not included in the contracts as requirements and thus the procedures to deal with non-conformance are not secured.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p>Conformance with Indicator:</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>Description of the finding: There has been no case of identified non-conformance or withdrawal.</p>
<p>Summary: The Company has identified the only processing and exporting supplier with its FSC-CoC certification to handle FSC-CW material only. However, the Company has not identified its sourcing sites at county or FMU level, but only at state level and radius distance from mills, which makes it difficult to judge whether supplier contravene these criteria at first place. Engagement and withdrawal procedures do not exist specially for Canopy policy and thus not shared with its suppliers in any binding/contract form.</p>	

<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</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>	
<p>Indicators</p>	<p>Findings</p>
<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>Conformance with Indicator:</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>Description of the finding: The Company is willing to welcome those observers without any problem.</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,</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress</p>

<p>has been completed, based on best available science, by a credible third party, and made public. **</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. According to the Dissolving Pulp Classification Tool, the Company's supplier does not source in these areas. The Company has never discussed these issues with its supplier but willing to do so.</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>Conformance with Indicator: <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>Description of the finding: There has been no identified case of sourcing from such areas.</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>Conformance with Indicator: <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>Description of the finding: This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. According to the Dissolving Pulp Classification Tool, the Company's supplier does not source in these areas. The Company has never requested/required its supplier to develop the management plan and is not sure whether its supplier has developed it or not.</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>Conformance with Indicator: <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>Description of the finding: This indicator is required when company's sourcing has been verified as key priority</p>

	<p>areas of ancient and endangered forests. According to the Dissolving Pulp Classification Tool, the Company's supplier does not source in these areas.</p> <p>The Company has never required its supplier to develop and implement their own time-bound action plan to work with final land-use decision-makers.</p>
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Summary: The Company welcomes interested stakeholders and Leaders Group observers to verify the implementation anytime. Many of these indicators are required when company's sourcing has been verified as key priority areas of ancient and endangered forests. According to the Dissolving Pulp Classification Tool, the Company's supplier does not source in these areas. The Company has never approached the supplier with intention to work together for any kind of mapping identification nor planning.

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 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.

Indicators	Findings
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>Conformance with Indicator:</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>Description of the finding: The Company has developed and expects its supplier to adopt a similar policy, systems, and procedures to implement Free, Prior, and Informed Consent of indigenous people and local communities by requiring agreement on the Company's sourcing policy, but has not required supplier to implement it in the form of binding contract.</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>Conformance with Indicator:</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>Description of the finding: The only processing and exporting supplier has been informed of the Company's Canopy policy, which expects the supplier to</p>

	<p>conform with the Company's commitment to recognize and respect the relevant rights. They are also supplying FSC-CW materials only. However, the Company has never got any documentation on the suppliers' conformance.</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>Conformance with Indicator:</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>Description of the finding: The Company has its own grievance mechanism while its supplier is also FSC-CoC certified and supplies only FSC-CW materials, which could guarantee the conformance to this indicator as FSC-CoC certified companies are required to have such a mechanism for their certified scope.</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>Conformance with Indicator:</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>Description of the finding: The Labour Union exists at the Company, with its Collective Agreement to fully comply with relevant national labour laws and cover other worker benefits/rights. The supplier as well as the Company is FSC-CoC certified, which could provide a high level of confidence that the workers' rights are recognized and respected, as FSC-CoC certified companies are required to do so.</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>Conformance with Indicator:</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>Description of the finding: Since the supplier is FSC-CoC certified, it could provide a high level of confidence that ILO is upheld via certification requirements.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's</p>	<p>Conformance with Indicator:</p>

<p>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> <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>Description of the finding: The Company and its supplier are FSC-CoC certified and the supplier supplies FSC-CW materials only. However, while there is no evidence of non-conformance, most of the materials are not being received with documentation to ensure this commitment to be met throughout the supply chain back to the forest.</p>
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Summary: Recognition, respect and upholding of human rights and the rights of communities and workers were all included in the Company's policy but not required in any form of contract with its supplier. The supplier is FSC-CoC certified and supply FSC-CW materials only, which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts are in place. However, the Company has never got any documentation on its conformance by the supplier apart from FSC-certification.

8. Development of Innovative and Alternative Fiber

Indicators	Findings
<p>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>	<p>Conformance with Indicator:</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>Description of the finding: The Company does not have any action plan for alternative fiber development, especially since cellulose acetate requires higher purity of wood pulp than viscose cellulose and paper-grade cellulose, which makes it difficult to alternate or recycle fiber for its production.</p>
<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>	<p>Conformance with Indicator:</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>Description of the finding: The Company does not have any action plan for alternative fiber development, especially</p>

	since cellulose acetate requires higher purity of wood pulp than viscose cellulose and paper-grade cellulose, which makes it difficult to alternate or recycle fiber for its production.
<p>Summary: The Company does not have any action plan for alternative fiber development, especially since cellulose acetate requires higher purity of wood pulp than viscose cellulose and paper-grade cellulose, which makes it difficult to alternate or recycle fiber for its 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>Conformance with Indicator:</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>Description of the finding: No record of such participation in events exists. However, the company is very new to the CanopyStyle Initiative and therefore has not had opportunities to date.</p>
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.**	<p>Conformance with Indicator:</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>Description of the finding: The Company has not been prompted to take such action. However, the Company purchases only FSC-CW materials, which could positively influence and affirm conservation and development solutions by the suppliers with FPIC of affected indigenous and local communities.</p>
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.	<p>Conformance with Indicator:</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>Description of the finding: The Company does not support any of such solutions, targets, nor programs in public yet.</p>

<p>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. **</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company is not developing and implementing such programs yet but states its will to do so where appropriate on its Canopy policy.</p>
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Summary: The Company is FSC-CoC certified and deals only with FSC-CW materials, which could positively influence conservation and development solutions for preservation of HCVF and the FPIC of affected indigenous and local communities. However, apart from such certifications, the Company has not taken any particular action to advocate conservation solutions in public, such as participation in regional conservation forest planning, webinars and roundtables, writing to decision makers, and conference announcement.

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>Conformance with Indicator:</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>Description of the finding: The Company is FSC-CoC certified and deals with FSC-CW materials only. The Company is seeking a way to increase FSC intake or source FSC 100% material and has requested its supplier to provide it, yet only to get informed of its difficulty to get forests certified due to the large number of forest owners.</p>

Summary: The entire supply chain is FSC-CoC certified and composed of FSC-CW materials only. The Company is seeking a way to increase FSC intake or source FSC 100% material and has requested its supplier to provide it, yet only to get informed of its difficulty to get forests certified due to the large number of forest owners.

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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>

	<input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: On its Canopy policy, the Company recognizes the importance of forests as carbon reserves and declares to support efforts to reduce the loss of carbon-valued forests by prioritizing transactions with suppliers that take the opportunity to avoid harvesting in the region and that adopt strategies to actively and effectively reduce greenhouse gas emissions. However, there is yet no procedures defined in detail to evaluate its suppliers' performance in reducing GHG.
11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	Conformance with Indicator: <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 Description of the finding: According to the Company's Canopy policy, the Company gives preference to the FSC-CW materials and the suppliers that have management measures to protect forest and peatlands. Supplier questionnaire asking if sourcing from such landscapes is implemented and answered, but it is not evaluated by specific county or FMU level.
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. **	Conformance with Indicator: <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 Description of the finding: The Company clearly states its preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands.
Summary: On its Canopy policy, the Company recognizes the importance of forests as carbon reserves and declares to support efforts to reduce the loss of carbon-valued forests. However, there is yet no procedures defined in detail to evaluate its suppliers' performance in reducing GHG. The Company also gives preference to the FSC-certified/CW materials and the suppliers that have management measures to protect forest and peatlands, which is however not evaluated by specific county or FMU level.	

12. Pollution Prevention	
Indicators	Findings
<p>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.</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 https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>*The CanopyStyle audit will not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p>
Summary: N/A	

** Indicates Critical Indicators

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

1. Evaluation of Site: Aboshi Mill

Primary Responsible Person: (Responsible for control system at site(s))	-Masayuki HIEDA Quality Assurance Manager, Chain Production Company
Auditor(s):	Yuki Nakamura
People Interviewed, Titles:	-Masayuki HIEDA Quality Assurance Manager, Chain Production Company -Hiroki KARAKANE Senior Manager, Cellulose Marketing, Acetyl BU, Material SBU
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments: Chain Production Company at Aboshi Plant is responsible for procurement 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

<p>1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it. **</p>	<p>Conformance with Indicator:</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>Description of the finding: The key managers at Aboshi Plant are familiar with and active to implement the Canopy policy, with its fair understanding displayed at the interview.</p>
<p>1.2 Each production site/s/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</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>Description of the finding: The Company has already developed the operating manual for the implementation of FSC-CoC standards which is to be supplemented with the extra standards of Canopy sourcing policy, but have not taken any concrete steps to develop SOP of the Canopy standards yet.</p>
<p>Summary: The key managers at the Aboshi Plant are familiar with and active to implement the Canopy policy and possess its fair understanding. They manage the chain of custody for their FSC-CW materials by applying FSC-CoC procedures, but not specifically for the Canopy sourcing policy.</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>	
Indicators	Findings
<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>Conformance with Indicator:</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>Description of the finding: All the purchase and sales information is recorded, kept, and summarized at Aboshi Plant, also to be submitted for the purpose of FSC-CoC certification audit.</p>

<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<p>Conformance with Indicator:</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>Description of the finding: The mill maintains the delivery documents with its group company Daicel Butsuryu in charge of the Company logistics within the plant premise.</p>
<p>2.3 All wood fiber input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p>Conformance with Indicator:</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>Description of the finding: The mill accepts only from the listed supplier, which was confirmed with delivery documents as well as storage observation.</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>	<p>Conformance with Indicator:</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>Description of the finding: The certification code and claim are included on the commercial invoice and packing list from the supplier and recorded in a summary to be submitted for the purpose of FSC-CoC certification audit.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p>Conformance with Indicator:</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>Description of the finding: Purchase and sales information is recorded, kept, and summarized to be submitted, also for the purpose of FSC-CoC certification.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification</p>	<p>Conformance with Indicator:</p>



<p>status if relevant. Supplementary information should include the forest/plantation of origin when known.</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>Description of the finding: The delivery notes from the company carry FSC certificate code, CW code, and certificate claim according to their FSC procedures. The delivery note does not include the forest/plantation of origin.</p>
<p>Summary: Wood pulps are supplied only from the listed supplier, with all the relevant transaction information recorded, kept, and summarized by the mill and its group company Daicel Butsuryu in charge of the Company logistics within the plant premise, especially to be submitted for the purpose of FSC-CoC certification audit.</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>Conformance with Indicator:</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>Description of the finding: The Company is informed of the initial date of the plantation development only in its approximation. They deal only with the FSC-CW materials, which is however not enough to exclude post 1994 conversion material. They could identify sourcing sites at county or FMU level and thus the more detailed initial dates of the plantation development.</p>
<p>Summary: They have not identified sourcing sites at county or FMU level, thus, without any specific date of plantation development but only in its approximation (i.e. 70's, 80's). The Company deals only with the FSC-CW materials in line with its CoC certification, which is however not enough for avoiding post 1994 conversion material.</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>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met </p>

	<input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: Even though the FSC-certified status of all the material indicates compliance with such laws, the key staff members are not fully aware of relevant laws and regulations.
<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 receive wood from Priority Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and from controversial sources.</p>	Conformance with Indicator: <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 Description of the finding: The key manager at Aboshi Plant is familiar with the relevant definitions, with its fair understanding displayed at the interview. While the Company has not identified sourcing sites at county or FMU level, supplier information indicates that the sole supplier does not source from Priority Ancient and Endangered forests.
<p>4.3 Production mills have conducted assessment on presence of Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources in their wood supply areas.</p>	Conformance with Indicator: <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 Description of the finding: They have not identified sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of “ancient and endangered forests”.
<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>	Conformance with Indicator: <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 Description of the finding: The pulp mills of the Company’s only supplier, Rayonier Jesup in USA, are not located in CanopyStyle policy specified areas of Ancient and Endangered Forest, but are located in a region where there are possible deforestation



	risks. However, the preliminary assessment indicates that risk of deforestation is being addressed through mitigation measures and thus its risk is low enough.
<p>Summary: The FSC-CW status of all the material indicates compliance with relevant laws. The key manager at Aboshi Plant is familiar with the relevant A&E definition and has confirmed the risk of controversial source according to the Dissolving Pulp Classification tool to be low. However, they have not identified sourcing sites at county or FMU level.</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 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>Conformance with Indicator:</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>Description of the finding:</p> <p>While the Canopy policy has been communicated and unofficially agreed on by the supplier, its relative SOP including engagement and withdrawal policy for non-conformance is not defined and thus not included in the contracts as requirements.</p>

Summary: While the Canopy policy has been communicated and unofficially agreed on by the supplier, its relative SOP including engagement and withdrawal policy for non-conformance is not defined and thus not included in the contracts as requirements.

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Daicel Corporations for continuous improvement

June 2023

Canopy applauds Daicel Corporation for embarking on its first CanopyStyle audit. The report concludes that the company has low risk of sourcing from Ancient and Endangered Forests and other controversial sources.

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

1. Continue to deepen the understanding of Daicel's commitment to avoiding sourcing from Ancient and Endangered forests, both internally, and with supply chain partners;
2. Develop Canopy-oriented standard operating procedures and include Canopy requirements in supplier contracts as binding requirements, along with engagement and withdrawal procedures in the case of violation;
3. Publish a list of sources of forest fibre used on Daicel's website (Canopy has provided a template);
4. As agreed, Daicel will update its policy so that it meets all CanopyStyle Criteria, including listing specific areas of Ancient and Endangered forests of concern, and relevant definitions (Canopy has provided template).
5. Develop a strategy to decrease reliance on non-certified wood, and increase the use of FSC Mix and FSC 100% (note that Controlled Wood is not considered as certified).
6. Work with supplier to determine the dates plantations were established in its sourcing area.
7. Work with Canopy and Mitsubishi Chemical Corporation to explore the use of Next Generation Fibres to replace forest fibre used, and develop an action plan to integrate them into production.

We recommend that the company develop an action plan to address 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 be essential to ensure that Daicel continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

Once again, we commend Daicel Corporation on the timely completion of its first audit and for achieving low risk of sourcing from Ancient and Endangered Forests in its supply chain.

We look forward to working collaboratively with Daicel to address any outstanding issues.

