



CanopyStyle Audit Report

for Formosa Chemistry and Fiber Corporation

Assessment 2023

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Report date: 30-June-2023

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 *Formosa Chemistry and Fiber Corporation* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 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 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 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

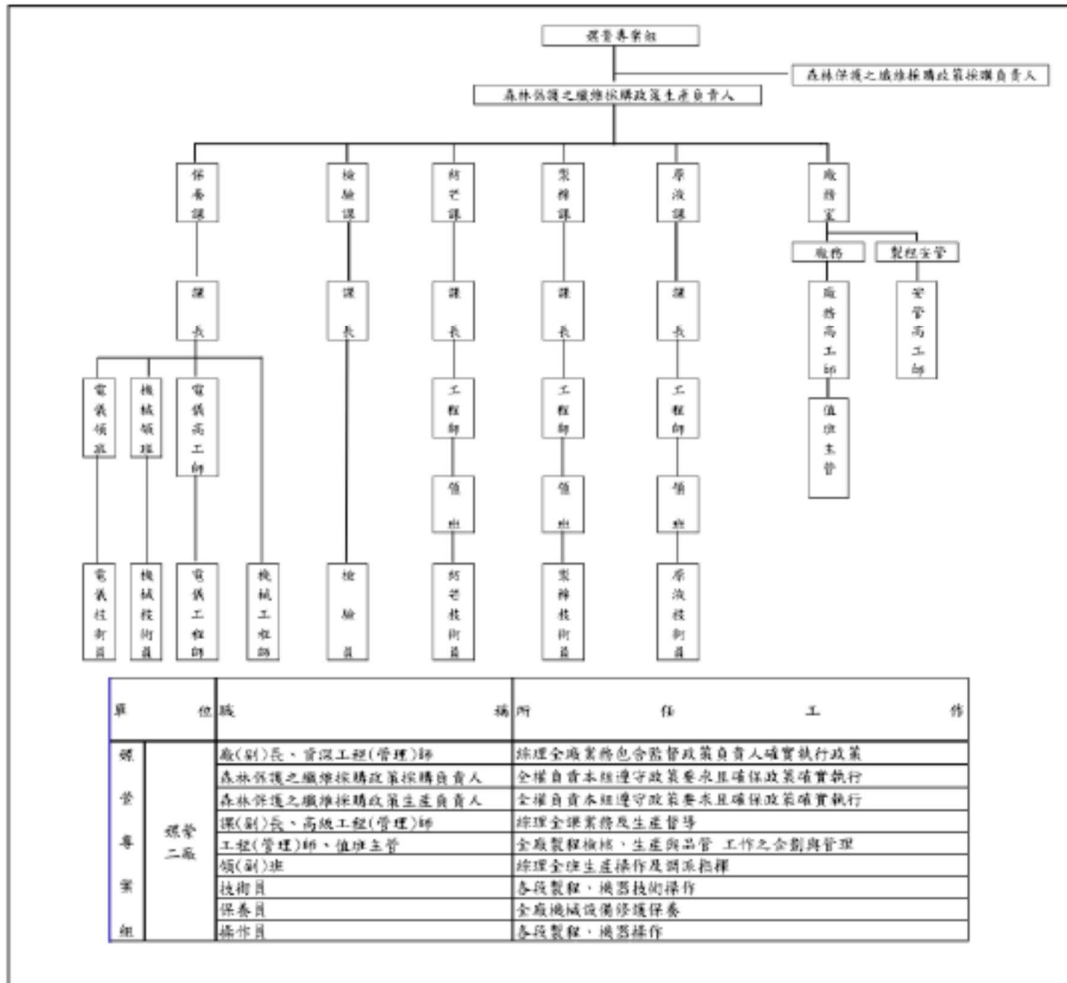
⁴ <https://canopyplanet.org/wp-content/uploads/2019/10/AdviceNoteCanopyStyleAudits.pdf>

1. GENERAL DESCRIPTION

1.1 Company overview

Company was founded in 1965. At the beginning of its establishment, it was a spinning and fiber factory that produced wood pulp and rayon in the Changhua plant and developed downstream spinning, weaving, dyeing and finishing. In 1967, the wood pulp and rayon fiber Division and plant were built. Due to the concerning of environmental protection and soil preservation, the plant started to import wood pulp instead of producing it by themselves and focus operations on the production, development, and quality enhancement of rayon staple products.

The plant has expanded its production lines for rayon staple fiber since it was built. The capacity for rayon staple fiber had accounted for 6.6% of the world capacity, the fourth largest producer worldwide, and a considerable force in the fiber industry. However, the capacity has decreased to 78,000 tons per year only, accounted for 1.6% of the world capacity in the end of 2017 due to the closing of the 1st ChangHua plant in 2016. The plant is also the major supplier for Taiwanese domestic spinning and non-woven fabric industry. Rayon staple fiber, polyester and acrylic are three major synthetic short fibers in Taiwan. By providing steady supply of low-priced materials, the plant contributed to a long-term development of Taiwan textile industry. The structure of Rayon Division is as following:



1.2 Company scope (sites, locations, etc)

The site of Formosa Chemical & Fibre Corporation is located in No. 2, Longxiang 10th Rd., Dongshan Township, Yilan County 269031, Taiwan. It produces Viscose Staple Fiber (VSF).

1.3 Company sourcing policy

Formosa Chemical & Fibre Corporation has committed to be a leadership role in the dissolving pulp & cellulosic fibre industry and not to source the world's ancient and endangered forests, including areas such as Indonesia's tropical forests and Canada's Boreal Forest. The company prefers buying FSC certified suppliers and selling FSC certified Viscose Staple Fiber (VSF) products. The company also works with Canopy to promote sustainable forest management and to protect ancient and endangered forests.

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:		
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No Comments:
Mill Capacity:	27,000 ton/year	
Primary Activity:	Viscose Staple Fiber manufacturer (VSF)	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 92	Permanent female: 3
	Contract male: 58	Contract female: 12
	TOTAL: 150	15
Sites included in evaluation		Location
Formosa Chemical and Fibre Corporation		No. 2, Longxiang 10th Rd., Dongshan Township, Yilan County 269031, Taiwan

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Junyen Lee	JunYen Lee, an FSC member, hold his Ph.D. degree from Oregon State University and major in forest products management. He was the contact person of Taiwan FSC Standard Developing Group and the Secretary General of Taiwan Forest Certification Development Association in Taiwan. He has passed ISO 9001:2008 and completed FSC FM, CoC, VLC training programs. He is an FSC FM and COC auditor. He has joined more than 8 FM and 33 COC certification audits. Currently, a Professor of the Department of Technological Management at National Chiayi University, Taiwan.

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Formosa Chemical & Fibre Corporation site is located in No. 2, Longxiang 10th Rd., Dongshan Township, Yilan County 269031, Taiwan.	14-April-2023	7 hrs

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

3.3 Description of Overall Audit Process

The audit officially started in March 17, 2023. The auditor started contacting the Company by requiring relevant documentation based on the latest CanopyStyle audit guidelines and framework.

The Company sent over a number of documents such as sourcing policy, organizational chart in implementing the policy, standard operation manual, communication with suppliers on sourcing requirements, risk assessments with evidence for the reporting period (01-January-2022 to 31-December-2022) for all suppliers, procurement data, sales data, update on innovative and alternative fiber, evidence on conservation, evidence on social issues from suppliers, etc.

In the meantime, the auditor also communicated and cross-checked with the Company over any issues and questions occurred during the review process. There are 4 pulp suppliers, the auditor reviewed the documentation for each supplier’s related documentation, especially on the risk assessments.

During the initial review phase, auditor detected that suppliers’ information was not at a sufficient level, i.e. only provided the first layer of suppliers, i.e., brokers’ or traders’ information, therefore, auditor asked for more detailed suppliers information to the forest of origin. The company provided the required documentation later.

On 14-April-2023, the auditor conducted on-site audit. During the opening meeting, the objective and scope of the audit, agenda, conflict of interest (COI) issues, etc. were communicated to management representative and the key staff from relevant departments in the office. The senior manager gave a brief introduction of the company and operation activities and the efforts made on Canopy sourcing policy implementation. The auditor then shared major findings from reviewing the documentation.

Following the opening meeting, the auditor interviewed the management team regarding action plan and any updates in regard of practices with Canopy policy commitment, Company structure, Canopy training, purchase policy, supplier management, research of alternative fibre, environment protection, forest protection, etc.

After interviews, related documents were reviewed, such as Wood Fibre Sourcing Policy and Operational Procedures, Annual Volume Summary Data, purchase documents (contracts, invoices, packing list, bill of lading etc.), Supply chain Assessment Report, Training records, company’s communication with the suppliers’ records, etc. Then, the auditor toured the company’s mill(s) including the production line(s) and warehouse(s). When touring the warehouse(s), auditor checked on the mill’s input and output records, storage for the pulp in use.

In combination with reviewing documents and visiting the company’s facilities, the auditor

interviewed the staff from various departments, including Quality Control Department, Manufacturing Department, Original Liquid Department, etc.

The closing meeting was held on the same day. The auditor gave a summary of the meeting, raised issues and acquired for additional information within 2 weeks' time after the meeting. The Company provided further required additional documentation at a later stage as well as responded to some of the major concerns, such as, the forest of origin of suppliers, current contracts or agreements with suppliers, etc. details please refer to the report findings.

Below is the participants list:

- Chin-Seng Wu, Assistant Plant Manager
- Tung-Fen Wu, Senior Engineer
- Wen-Chung Lu, Advanced Administrator
- Zin-Da Young, Original Liquid Department
- Yao-Wun Yu, Manufacturing Department
- Ti-Nan Chen, Weaving Department
- Jun-Yu Chiu, Quality Control Department

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive Findings:

The fiber procurement policy signed by Assistant Vice President on 5/27/2019 were verified. Company is sourcing dissolving pulp from FSC COC certified suppliers only. Materials sourced are either FSC 100%, FSC Mix or FSC Controlled Wood (FSC CW). The company is also FSC COC certified.

Areas for Improvement:

In order to verify compliance with the Canopy requirements of its supplier, the Company needs to request and obtain documentation, such as forest of origin information from its suppliers and should not rely only on the FSC-CoC/CW status of its suppliers.

Additionally, this audit found that the company is sourcing from Oji Paper Co. Based on CANOPYSTYLE CLASSIFICATION OF DISSOLVING PULP MILLS, it has forest operations in Indonesia, a CanopyStyle policy specified area of Ancient and Endangered Forest. Thus, Low risk identified by company cannot be verified. Though the purchased inputs could be traced back to the forest of origin in the company's assessment report. The company should trace inputs which are with a claim of FSC 100%, FSC Mix and FSC Controlled wood back to more FMUs instead of one FMU in forest of origin.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
LD Celulose S.A.	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.

Sappi Saiccor, South Africa	Low Risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Celulosa Arauco y Constitución S.A.	Low Risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Oji Paper Yonaga, Japan	Low Risk	Oji has forest operations in Indonesia, a CanopyStyle policy specified area of Ancient and Endangered Forest. Ownership connection with Asia Pulp and Paper.

4.2 Summary of findings

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

** Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy **	
	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 organizational 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 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.	
	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.	
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	

<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>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 fibre 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</p>	<p>6.1 When requested, Canopy, the Leaders Group and other stakeholder observers are permitted to participate freely and to report</p>	

<p>Group observers to verify the implementation.</p>	<p>observations during this verification process. **</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>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, 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>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>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>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities</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>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 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>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>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>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>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>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 suppliers to explore and encourage the development of new alternative fiber</p>	

	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> verify the pulp and viscose manufacturing	Not Applicable

	<p>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>	
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4.3 Volume Summaries⁵

Reporting period: Jan. to Dec. 2022

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	200 ton	1%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	22,750 ton	84%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	4,050 ton	15%
Non-FSC	Material received with no FSC claim.	0	
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	

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

1. Evaluation of Site: Formosa Chemical & Fibre Corporation

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Tung-Fen Wu, Senior Engineer
Auditor(s):	JunYen Lee

⁵ The volume summary is provided by the organization.

People Interviewed, Titles:	Chin-Seng Wu, Assistant P[ant Manager Tung-Fen Wu, Senior Engineer Wen-Chung Lu, Advanced Administrator (responsible for purchasing material). Jun-Yu Chiu, Quality Control Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	

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> <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 sourcing policy is available on the company website https://www.fcfc.com.tw/rayon-division. It was signed by C.S. Lu, Assistant vice president on May 27, 2019. Assistant Plant manager and senior engineer are aware and implementing the policy. Sourcing policy has made in two languages (English and Chinese) to ensure all staff has good understanding and aware then implement the policy.</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>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: Company updated its Fibre Procurement for Protecting Forest Procedure and it became valid on 2022/11/16 to implement the policy as required by CanopyStyle, the procedure contains information, such as scope of verification, sourcing policy, determining suppliers by their performance on indicators,</p>

	<p>such as avoid endangered natural forestland, corruption area, etc., development etc. The senior engineer also told auditor that the procedure is available upon request to stakeholders.</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 company has appointed Mr. Wu, senior engineer, with responsibility for policy implementation. The appointed letter was signed by the head of Rayon Division on Nov. 16, 2022 on P.3 of the Fibre Procurement Procedure (FCFC-R2). It was also verified by interviewing with the staff and other engineers.</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: Company has established company structure with clear departments and responsibility, such as production, procurement responsible persons, inspection, maintenance, etc., see P.3 of the Fibre Procurement for Protecting Forest Procedure (FCFC-R2). It was also verified by interviewing with related staff who were mentioned in the company structure chart. The staff explained well about their responsibilities in implementing the policy.</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 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: Company provided Emails sent on 2022/12/23 to its four suppliers. Mainly sent to its direct material suppliers. The contents of Email states that the company commits to</p>

	<p>Canopy policy with Fibre Procurement for protecting Forest. Three out of 4 suppliers have returned the mail, while Oji Paper didn't respond.</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 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: Current contracts didn't have a requirement to implement the policy. However, the responsible procurement person provided the supplementary agreements signed with current suppliers which includes requirements to implement the Policy for verification.</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 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: Company developed its evaluation form to assess the suppliers' conformance with the procurement policy. The indicators of evaluation form include not sourcing material from ancient & endangered forests, recognizing, respecting human rights and rights of community, forest certification, reduction GHG footprint, and avoid corruption area. It is annual based assessment form. In addition, the responsible procurement person, Mr. Wen-Chung Lu also provided the 2022 and 2023 evaluation results for verification.</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 <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: Company was certified by FSC COC (SGSHK-COC-011486) with a grievance procedure which was required by FSC COC standard.</p>
<p>1.9 The MMCF producer has developed, and is</p>	<p>Conformance with Indicator:</p>

<p>implementing, an action plan that address any identified non-conformance and grievance received.**</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 senior engineer stated that the company received no grievances from stakeholders. Therefore, no action plan related non-conformances and grievance are developed.</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: <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: During on-site inspection, auditor interviewed with key managers and confirmed that they are aware of and committed to implement the policy.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<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</p> <p>Description of the finding: Company has documented procedure to implement the policy. The procedure includes raw material purchased and products volume control, etc. to implement the policy as required by CanopyStyle. The responsible procurement person stated that the company based on procedure to prevent sourcing wood pulp from ancient and endangered forests and other controversial sources.</p>
<p>Summary: Company developed procedure to address the CanopyStyle requirement and sourcing policy. It is also available on the company website. The company was certified by FSC COC (SGSHK-COC-011486) with a grievance procedure. Key managers in company are aware and committed to implement the policy.</p>	

<p>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy</p>	
<p>Indicators</p>	<p>Findings</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>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: Advanced administrator (responsible for purchasing material) told auditor that company only purchased wood pulp from FSC certified suppliers. Besides, auditor also inspected the sampling purchasing documents of suppliers, Arauco's invoice # 00124455 dated on 12/26/2022 and #00124642 dated on 01/02/2022 with a claim of FSC Mix Credit; LD Cellulose's shipping bills #oneysaoc28433400 dated on 08/02/2022 and #oneysaoc28432300 dated on 07/27/2022 with a claim of FSC 100%; Sappi's invoice #92762332 dated on 03/21/2022 and #92799719 dated on 07/20/2022 with a claim of FSC Mix 70%. Company provided annual input volume purchased by company for verification. The annual volume of inputs purchased by company is 27,000 Tons, accounting for 4,050 Ton with a FSC 100% Mix from L D Cellulose (SCS-FM/COC-008400); 22,750 Ton FSC Mix from Sappi (SA-FM/COC-001230) and Arauco (SA-FM/COC-004173), and 200 Ton FSC Controlled Wood from OJI (GEC-FM-JAFTA-002 mutually recognized with PEFC).</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>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: Company provided the supply chain assessment report for verification. The inputs</p>

	<p>were traced back to the forest of origin in the assessment report. For example, the inputs from the Sappi were traced back to Sappi Southern Arrica Ltd (SA-FM/COC-001230), from LD Cellulose were traced back to LD Cellulose S.A. (SCS-FM/COC-008400), etc. Company assessed its source of origin by using the public information, such as Intact Forest Landscapes, Forest Mapper. Advanced administrator told auditor that the supply chain assessment is done annually. Please refer to Section 4.1 and see the assessment results.</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>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: Company provided the supply chain assessment report for verification. For example, the company purchased pulp with a claim FSC Mix 70% from Sappi Europe SA (SGSCH-COC-003171, Broker) directly. The pulp was traced back to Sappi Southern African Ltd-Saiccor Mill (SA-COC-012851) and Sappi Southern Africa Ltd (SA-FM/COC-001230, the forest of origin) in the assessment report. Though, the inputs could be traced back to the forest of origin in the assessment report, no purchase documents, such as invoice, delivery, etc. from forest of origin were provided for verification. In addition, the company traced inputs with a claim of FSC Mix and FSC Controlled wood only back to one FMU in forest of origin. Pulp material with a claim of FSC Mix or FSC Controlled Wood from pulp mill may come from multi-forest of origins.</p>
<p>2.4 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 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: This is the first assessment since 2019. The company has expressed their commitments to update their assessment each year and shared with Canopy.</p>
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include</p>	<p>Conformance with Indicator:</p>

<p>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> <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: Company is FSC-certified and therefore has a signed the FSC policy for association self-declaration to this effect. The company has committed not to violate human rights, to include legality, risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism. However, no additional criteria were developed to complete their risk assessment yet.</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 textiles retailers.</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: Company publishes their suppliers on their company website https://www.fcc.com.tw/rayon-division .</p>
<p>Summary: Company only purchased wood pulp from FSC certified suppliers. It provided annual input volume purchased by company. Company also has the supply chain assessment report in place and commits to update the assessment each year and shares with Canopy. Though the inputs could be traced back to the forest of origin in the assessment report. The company traced inputs with a claim of FSC Mix and FSC Controlled wood only back to one FMU in forest of origin.</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 <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 provided the supply chain assessment report for verification. Though, the inputs could be traced back to the forest of origin in the assessment report, no purchase documents, such as invoice, delivery, etc. from forest of origin were provided for verification. In addition, only</p>

	inputs purchased from LD Cellulose could be assured of due to its purchased inputs are claimed as FSC 100%. The rest of purchased inputs are either claimed as FSC Mix Credit, FSC Mix 70%, or FSC Controlled Wood. Pulp materials are claimed as FSC Controlled Wood and FSC Mix do not necessarily exclude material originating from plantations established after 1994.
<p>Summary: Company purchased its inputs from four FSC COC certified suppliers (Trading agents). Only inputs purchased from LD Cellulose could be assured the material was from the plantations established before 1994 due to its FSC claimed is FSC 100%. The rest of purchased inputs are either claimed as FSC Mix credit, FSC Mix 70%, or FSC Controlled wood. The only forest certification which guarantees no conversion after 1994 is FSC 100%.</p>	

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> <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
4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group.**	<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
4.3 Any raw materials in the MMCF producer’s supply chain originating from ancient and endangered forests or other controversial	<p>Conformance with Indicator:</p> <input checked="" type="checkbox"/> Not Applicable

<p>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> <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 sourced inputs from 4 certified suppliers. Randomly sampling the purchase documents, the auditor confirmed the raw materials were acquired after the Policy was adopted on 2019/5/27.</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: Company abided by the local, national, and international laws, such as EPA regulations on air & water emissions, ILO, etc. It was verified by interviewing workers and reviewed related documents, such as, self-assessment of FSC labor core requirements report, H&S training records during on-site inspection.</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: Company has well defined the ancient and endangered forests and Intact Forest Landscapes in company's Wood Pulp Procurement Policy. The company purchased inputs with a claim of FSC 100%, FSC Mix, and FSC Controlled wood. According to CANOPYSTYLE CLASSIFICATION OF DISSOLVING PULP MILLS, the Oji Paper Co. has forest operations in Indonesia, a CanopyStyle policy specified area of Ancient and Endangered Forest and a connection with Asia Pulp and Paper. Also, the company is lacking information about FSC certified material from LD Cellulose, Sappi and Arauco which may exist some of the controversial sources. Pulp material with a claim of FSC Mix or FSC Controlled Wood</p>

	<p>from pulp mill may come from multi-forest of origins while the company traced inputs with a claim of FSC Mix and FSC Controlled wood only back to one FMU in forest of origin. In addition, FSC certified material cannot eliminate some of the controversial sources, such as IFLs, peatlands, if it's not prohibited by the local laws.</p> <p>This indicator is a summary of 4.1-4.4.</p>
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Summary: The definition for ancient and endangered forests and Intact Forest Landscapes is well defined in company's Wood Pulp Procurement Policy. Company purchased inputs with a claim of FSC 100%, FSC Mix, and FSC Controlled wood. However, according to CANOPYSTYLE CLASSIFICATION OF DISSOLVING PULP MILLS, the Oji Paper Co. has forest operations in an Ancient and Endangered Forest and a connection with Asia Pulp and Paper in Indonesia identified by CanopyStyle. Also, the company is lacking information about FSC certified material from LD Cellulose, Sappi and Arauco which may exist some of the controversial sources.

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 <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: Company assessed its purchased inputs tracing back to the forest of origin which were stated in the supply chain assessment report. Though, the inputs could be traced back to the forest of origin in the assessment report, no purchase documents, such as invoice, delivery, etc. from forest of origin were provided. Besides, not all forest of origins are identified, especially the company traced inputs with a claim of FSC Mix and FSC Controlled wood only back to one FMU in forest of origin instead of all FMUs, refer to indicator 2.3, please.</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 <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: Company has established the Fibre Procurement for Protecting Forest Procedure (FCFC-R2). When the non-conformance condition occurred, for example, sourcing material from ancient & endangered forests, not recognizing, respecting human rights and rights of community, no forest certification, no reduction GHG footprint, and source from corruption area. The purchasing agreements will be terminated which is stated in the sec. 2.2 of this procedure. It was also verified by interviewing with the responsible procurement person. Also, general terms and conditions for cancellation of purchases and sales are stated in agreements with current suppliers.</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: During the audit time period, there was no non-conformance was identified by the company and no supply agreements withdrawal was documented.</p>
<p>Summary: Company's suppliers are identified, and the forest of origin is known. However, the company traced inputs with a claim of FSC Mix and FSC Controlled wood only back to one FMU in forest of origin instead of all FMUs.</p> <p>The non-conformance condition to terminate the purchasing agreements is stated in the procedure. Also, general terms and conditions for cancellation of purchases and sales are stated in agreement with current suppliers. No non-conformance was identified by the company and no supply agreements withdrawal was documented.</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>	
Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" 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: Interviewing with the responsible person, auditor verified that the company accepts having the Leaders Group and other stakeholders to participate and report observations during verification process.
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. **	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: This indicator is only required when the company's sourcing has been verified as key priority areas of ancient and endangered forests.
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. **	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: This indicator is only required when the company's sourcing has been verified as controversial areas, with records of conflict and human rights violation.
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. **	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: This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.
6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable

<p>protection of these areas 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:</p> <p>.</p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
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Summary: Company accepts having the Leaders Group and other stakeholders to participate and report observations during verification process. This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests or controversial areas, with records of conflict and human rights violation.

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
<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>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>Company purchased FSC certified and FSC Controlled Wood claimed material. By the chain of custody, its one of suppliers which is the forest of origin shall be certified by FSC FM/COC. This supplier is required to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations by FSC certification. For example, the company purchased material with a claim of FSC 100% could be traced back to the forest of origin managed by LD Cellulose S.A. (SCS-FM/COC-008400). This supplier shall have systems</p>

	<p>and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations.</p> <p>The Company provided Emails which communicated with suppliers on company's commitment to Canopy policy for verification. Three out of 4 suppliers have returned the mail. However, no information on email to require its suppliers to adopt a similar policy, system, and procedures to implement FPIC of indigenous people and local communities.</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</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>Company provided the copies of suppliers' FSC COC certificates for verification. All raw materials are coming from FSC certified forests and /or FSC CW source. The forest of origin shall be certified by FSC FM/COC. This supplier is required to comply with FSC's requirement in terms of respecting human rights, community rights, worker's right, etc. However, the material from Oji, its forest of origin is from mutually recognized PEFC certified forestland, may not comply with this indicator.</p> <p>In addition, it has been documented that there is social conflict between Indigenous communities and forestry companies in Chile, where Arauco has its operations.</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</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>Company and its suppliers hold FSC COC or FM/COC certificates, in addition, material sourced were either with FSC certified claim</p>

	<p>or FSC Controlled Wood claim which required companies to have a grievance mechanism and handle complaints and conflicts occurred in companies. Interviewing with senior engineer, auditor verified that the company has no complaints received. However, FSC systems may not be sufficient to resolve social conflicts in some regions, such as Chile where systemic issues prevent the resolution of long-standing grievances of Indigenous peoples.</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: Company all purchased FSC certified material and FSC Controlled Wood claimed material. Company and its suppliers hold FSC FM/COC or FSC COC certificates which required companies to have internal capacity and organizational structure to recognize and respect the rights of its workers. By the COC standard, the company shall assign management representative and setup organizational structure to implement the rights of workers. The company's head also signed the supporting policy related to the ILO Core Conventions. Interviewing with the senior engineer and workers, auditor verified that the company has recognized and respected the rights of its workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p>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: Company and its suppliers hold FSC FM/COC or FSC COC certificates which required companies to recognize and respect the rights of its workers. Suppliers are required to comply with FSC's requirement in terms of upholding ILO Declaration on Fundamental Principles and Rights at Work. The company also has the Fibre Procurement for Protecting Forest Procedure (FCFC-R2) in place to ensure its forest/wood</p>

	suppliers are certified by FSC. In sec. 6.1 and 6.2 of the procedure stated that only purchase material from the FSC certified suppliers.
<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>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: Company all purchased FSC certified as well as FSC Controlled Wood claimed material. Company's suppliers hold FSC FM/COC and FSC COC certificates which required companies to recognize and respect human rights, community rights, worker's right, to uphold ILO Declaration, to have a grievance mechanism and show responsible handling of complaints and resolution of conflicts, etc. The responsible procurement person told auditor that the company assessed FSC certified suppliers to ensure no material sourcing from a forest/wood supplier which violated human rights. This indicator is a summary of 7.1-7.5, therefore the grading is Commitment in Progress.</p>
<p>Summary: Company provided the copies of suppliers' FSC COC certificates for verification. However, the certificates are from pulp manufacturers or brokers/traders instead of from forest/wood suppliers. Company's suppliers hold FSC COC or FM/COC certificates which required companies to recognize and respect human rights; recognize and respect the rights of its workers; to have a grievance mechanism and handle complaints and conflicts occurred in companies.</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 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 senior engineer told auditor that company had no formal paper documents for an action plan but the company had a plan to test and adopt recycled "texture" fiber material from a</p>

	<p>potential supplier called Renewcell. He also said that the objective of the plan is to reduce the consumption of forest resources. The company also provided the communication letter with supplier and the test-report of recycled fiber for verification.</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 checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Company hasn't made any research or development phase of recycled fiber sources into commercial scale phase. Senior engineer told auditor that the company is incorporated with Renewcell to develop recycled textile. It is still on the test and trial phase.</p>
<p>Summary: Company had research or development phase on recycled fiber sources but not in commercial scale phase yet.</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
<p>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>	<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 participated in the last CanopyStyle summit in 2019, but due to COVID has been unable to participate more recently. However, it has re-engaged with Canopy on how to be more involved.</p>
<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>	<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</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: Company provided the Email from CanopyStyle team to appreciate its participation on sending letter to the 15th CBD for verification calling for the implementation of 30% protection by 2030
<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: <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: Company provided the Email from CanopyStyle team to appreciate its participation on sending letter to the 15th CBD for verification calling for the implementation of 30% protection by 2030 The senior engineer told auditor that the company would like to support and funding science-based preserving designated protected and conservation areas program. However, the management activities of local University's experiment forestlands supported and funded by the company is not a publicly supported programs 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: <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: Company supported and funded the management activities of local University's experiment forestlands. However, the company has not developed specific programs to increase the endangered species population and the maintenance of their habitat with government and/or ENGO programs.
<p>Summary: Company supported and funded the management activities of local University's experiment forestlands but not a program for preserving designated protected and conservation areas and increase the endangered species population and the maintenance of their habitat.</p>	

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.**	<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: Company hold FSC certificates. The company has made its commitment signed by Mr. Wu in its fiber procure policy on 07/27/2019 on only using FSC certified material for product under CanopyStyle verification. However, no action plan is provided to give a breakdown detail of the plan on FSC certified material intake increase.</p>
<p>Summary: Company hold FSC Certification and purchased its inputs from FSC certified suppliers. It made a commitment on only using FSC certified material for product under CanopyStyle verification.</p>	

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.	<p>Conformance with Indicator:</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>Description of the finding: Company evaluates its suppliers with improving GHG reduction as one of its procurement indicators stated in the sec. 6.5 of Fibre Procurement for Protecting Forest Procedure (FCFC-R2).</p>
11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<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: Company provided the Fibre Procurement for Protecting Forest Procedure (FCFC-R2) and year of 2022 and 2023 supplier evaluation reports for verification. The company also provided the supply chain assessment report for verification. The senior engineer told auditor that the company applied the supplier evaluation reports to screen out non-conformance suppliers. Given that all materials are sourced with FSC certified claim as well as FSC Controlled Wood claim, and FSC certification cannot eliminate sourcing from IFLs and Tropical Peatlands if it's not prohibited by the local regional/national laws. This indicator is graded as 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 identified, withdrawn from and are restoring peatlands and their hydrology. **	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: Through the interview, the senior engineer told auditor that the company's suppliers are all certified by the FSC and has a preference for FSC-certified inputs stated in the Fibre Procurement for Protecting Forest Procedure (FCFC-R2). The non-conformance suppliers that are operating in intact forest landscapes or on drained tropical peatlands will be withdrawn from purchase contracts/agreements. Given that all materials are sourced with FSC certified claim as well as FSC Controlled Wood claim, and FSC certification cannot eliminate sourcing from IFLs and Tropical Peatlands if it's not prohibited by the local regional/national laws. This indicator is graded as Commitment in Progress. In particular, an assessment must be done for the supplier with Indonesian operations.
Summary: Company developed the procedure and provided a year of 2022 and 2023 supplier evaluation reports. Company prefers FSC-certified inputs. The non-conformance suppliers that are operating in intact forest landscapes or on drained tropical peatlands will be withdrawn from purchase contracts/agreements. Given that all materials are sourced with FSC certified claim as	

well as FSC Controlled Wood claim, and FSC certification cannot eliminate sourcing from IFLs and Tropical Peatlands if it's not prohibited by the local regional/national laws.

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</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 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>
<p>Summary:</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>	

** Indicates Critical Indicators

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

1. Evaluation of Site: Formosa Chemical & Fibre Corporation

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Tung-Fen Wu, Senior Engineer
Auditor(s):	JunYen Lee
People Interviewed, Titles:	Chin-Seng Wu, Assistant Pant Manager Tung-Fen Wu, Senior Engineer Wen-Chung Lu, Advanced Administrator Zin-Da Young, Original Liquid Department Yao-Wun Yu, Manufacturing Department Ti-Nan Chen, Weaving Department Jun-Yu Chiu, Quality Control Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</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>The company sourcing policy is available on the company website https://www.fcfc.com.tw/rayon-division. It was signed by C.S. Lu, Assistant Plant manager on May 27, 2019. Senior engineer and managers of Original Liquid Department; Manufacturing Department; Weaving Department; Quality Control Department are aware and implementing the policy. Sourcing policy has made in two languages (English and Chinese) to ensure all staff has good understanding and aware then implement the policy.</p>
1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<p>Conformance with Indicator:</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 Description of the finding: Company has established standard operating procedure, including raw material purchased and products volume control, etc. to implement the policy as required by CanopyStyle.
Summary: Company has established sourcing policy and this information is available on its website. Related key managers are also aware the Policy. Currently the company is implementing responsible sourcing based on the FSC system.	

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.

Indicators	Findings
2.1 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u> .	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: The corporate office conducts the procurement and maintain all the purchase and sales documentation for procurement. The corporate office provides purchase and sales documents, such as invoices, packing lists, the source assessment for verification. The company is making purchases through trading agents who also provided their input sources up to forestlands. The company also assessed its source of origin by using the public information, such as Intact Forest Landscapes, ForestMapper.
2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u> .	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>Description of the finding: The corporate office conducts the procurement and maintain all the delivery documentation for procurement.</p> <p>Company has established its FSC COC system (SGSHK-COC-011486). The delivery documents from its suppliers are following the FSC COC requirements. Company maintains its delivery documents according to the FSC COC requirements. No delivery documents are received from wood fiber suppliers.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p>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: Company provided the supply chain assessment report for verification. The inputs were traced back to the forest of origin in the assessment report. For example, the inputs from the Sappi were traced back to Sappi Southern Arrica Ltd (SA-FM/COC-001230), from LD Cellulose were traced back to LD Cellulose S.A. (SCS-FM/COC-008400), etc. The company also provided the purchased documents from FSC COC certified companies. All inputs are from Sappi (SGSCH-COC-003171), LD Cellulose (SCS-COC-008957), Arauco (SGSCH-COC-006455), OJI (SGSHK-COC-350173) for verification. On-site inspection, auditor confirmed that the company purchased inputs are in consistent with and identified within its supply chain assessment.</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 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 corporate office conducts the procurement and maintain all the purchasing documentation.</p>

	<p>Company has established its FSC COC system. The inputs are purchased from FSC certified companies. Auditor confirmed the sales and delivery documents with FSC COC requirements, such as the supplier code and FSC COC claim.</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 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 corporate office conducts the procurement and maintain all the purchasing documentation.</p> <p>Company has established its FSC COC system (SGSHK-COC-011486). The inputs are purchased from FSC certified companies. Auditor verified that a summary of annual inputs is in place.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p>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: Company has established its FSC COC system (SGSHK-COC-011486). Company provided its sale documents, such as invoice #WA72022759 and delivery bill for verification. All transportation documents contain the certification code and FSC COC claim. Its outgoing documents and certificates are valid. The company also has the supply chain assessment report which include the information of the forest of origin.</p>
<p>Summary: Company has established its FSC COC system (SGSHK-COC-011486). The inputs are purchased from FSC certified companies which certificates are valid. The documents of purchase, delivery, a summary of annual inputs, etc. are in conformance with FSC COC requirements. The company also has the supply chain assessment report which include the information of the forest of origin.</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</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

<p>sourcing only occurs in plantations established before 1994**</p>	<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 </p> <p>Description of the finding: The purchased inputs could be traced back to the forest of origin which were stated in the supply chain assessment report. However, only inputs purchased from LD Cellulose could be assured of due to its purchased inputs are claimed as FSC 100%. The rest of purchased inputs are either claimed as FSC Mix credit, FSC Mix 70%, or FSC Controlled wood. Pulp materials are claimed as FSC controlled wood and FSC Mix do not necessarily exclude material originating from plantations established after 1994.</p>
<p>Summary: Company purchased its inputs from four FSC COC certified suppliers (Trading agents). Only inputs purchased from LD Cellulose could be assured the material was from the plantations established before 1994 due to its FSC 100% claim. The rest of purchased inputs are either claimed as FSC Mix credit, FSC Mix 70%, or FSC Controlled wood.</p>	

<p>4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.</p>	
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 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: Company abided by the local, national, and international laws, such as EPA regulations on air & water emissions, ILO, etc. It was verified by interviewing workers and reviewed related documents during on-site inspection.</p>

<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not receive wood from Priority Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and from controversial sources.</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: Interviewing with managers in mill site, auditor confirmed that they noticed the Advice Note and understood the definition of Ancient and Endangered forests and controversial sources. The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 4 under Appendix A.</p>
<p>4.3 Production mills have conducted assessment of presence of Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources in their wood supply areas.</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: Company had assessed its source of origin by using the public information, such as Intact Forest Landscapes, ForestMapper in its supply chain assessment report. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<p>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: Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>Summary: Company source material from FSC COC certified suppliers. It assessed its source of origin by using the public information in its supply chain assessment report. The interview with the management proves they were aware all relevant laws and regulations. There is no news and</p>	

info disclosed that the company is non-compliant with national and international laws. Interviewing with managers in mill site, auditor confirmed that they noticed the Advice Note and understood the definition of Ancient and Endangered forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the company.

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

Indicators	Findings
<p>5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p>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: Company has procedure to monitoring performance of suppliers. Suppliers are evaluated on each year based. No non-conformances were found.</p>

Summary: A procedure for monitoring performance of suppliers is in place. Suppliers are evaluated on each year based. No non-conformances were found.

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Formosa Chemistry and Fiber Corporation

July 2023

Canopy applauds Formosa for re-engaging with Canopy in 2023 and rapidly conducting its second CanopyStyle audit. The audit does not fully confirm low risk of sourcing from Ancient and Endangered Forests, but does show that the company has greatly increased its use of FSC certified fibres, and has capacity and systems in place to monitor its suppliers' performance.

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

- Conduct additional due diligence to ensure that no fibre is being procured from Ancient and Endangered Forests and other controversial sources;
- Work with suppliers to determine the date of establishment for any plantation fibre entering into the company's supply chain, to ensure no plantation fibre established after 1994 is being used;
- Increase the use of FSC 100% where possible;
- Re-engage in research in develop of uses Next Generation alternative fibres and develop an ambitious action plan to reduce pressure on forests;
- Build on the company's initial actions to support the conservation of key Ancient and Endangered Forests,
- Adopt best in class processing and work with experts in the field to continuously meet new standards related to chemical discharge and pollution. Continue to work with ZDHC to develop new 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 the company develop an action plan for these priority issues, so that they can be addressed before the next annual audit.

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

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