



CanopyStyle Audit Report

for Nanjing Chemical Fiber Co., Ltd.

Assessment 2021

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Organisation Contact

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TABLE of CONTENTS

INTRODUCTION	3
1. GENERAL DESCRIPTION	4
2. EVALUATION SCOPE	4
3. EVALUATION PROCESS	5
4. EVALUATION RESULT	7
Appendix A: STANDARD CHECKLIST (CanopyStyle Verification Framework – Corporate Sourcing)	13
Appendix B: STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill Checklist)	31
Appendix C: RECOMMENDATIONS FOR IMPROVEMENT	37

INTRODUCTION

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

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

The purpose of this report is to document performance of *Nanjing Chemical Fiber Co., Ltd* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 2020 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 320 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

The audit presents the findings of Preferred by Nature auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy's map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk, as well as further guidance document such as the Dissolving Pulp Classification Tool and the Advice Note on Ancient and Endangered Forests⁴.

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

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

Nanjing Chemical Fiber Co., Ltd (hereafter “Company”) focus on manufacturing man-made cellulose for the textile industry in China. Main product of the company is viscose that using dissolved pulp as input from forests and plantations and man-made cellulose obtained from external dissolved pulp producers. Their products include man-made cellulosic fabrics, trademarked man-made cellulosic brands and non-woven man-made cellulosic fibres marketed globally to clothing manufacturers.

Nanjing Chemical Fiber Co., Ltd prides itself on its environmental sustainability and corporate social responsibility policies. They are participating in the CanopyStyle Initiative⁵ and as recognition of their commitment are undergoing this evaluation.

1.2 Company scope (sites, locations, etc)

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

- one in Nanjing with the same address as the headquarter office, the mill is under construction for extension now, thus there are no workers working there currently, and only management level works at HQ office there. Staff in Nanjing city is 466. This mill is scheduled to reopen in late 2021 or early 2022.
- The other mill of the company is located South of Wangan Port Dafeng dist. Yancheng City, Jiangsu Province, China. The company has 282 staff in total.

1.3 Company sourcing policy

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

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

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 type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	Dissolving pulp from 5 suppliers and after the company signed wood timber sourcing policy.	

⁵ The CanopyStyle Initiative is led by environmental not-for-profit Canopy which, to date, has supported over 60 brands, designers and retailers, as well as 9 of the top 10 largest global producers, on developing sourcing policies for fabrics made from forests.

Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Comments: Ancient and Endangered Forests map overlays were not completed.
Mill Capacity:	100,000 ton/year		
Primary Activity:	Viscose production		
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors	
	<input type="checkbox"/> Outsourcing of the complete production process		
	<input type="checkbox"/> High risk subcontractor site(s) included		
	<input checked="" type="checkbox"/> No outsourcing		
Workforce:	Permanent male: 500	Permanent female: 248	
	Contract male:	Contract female:	
	TOTAL: 748		

Sites included in evaluation	Location
Nanjing Chemical Fiber Co., Ltd.	No.2, Yuzhuang Rd. Liuhe Dist., Nanjing City, Jiangsu Province, China (HQ)
Jiangsu Jinling Cellulose Fiber Co., Ltd	South of Wangan Port Dafeng dist. Yancheng City, Jiangsu Province, China (Mill)

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Huang Rui (Rick)	<p>Audit team leader</p> <p>Huang Rui, Master of Forestry, has 8 years' experience in forest survey and sustainable forestry includes 2 years academic work. Huang Rui is working for NEPCon (Beijing) Technical Promotion Co., Ltd as forestry certification specialist who oversees East Asia forestry certification in NEPCon.</p> <p>Before that he worked at China Standard Conformity Assessment Co., Ltd as Forest certification and Fair Wild Program manager of the International Cooperation Department and he also had been a sustainable development department commissioner of APP (China) Forestry. He has attended the auditor training of CFCC, FSC and ISO9000. He is qualified as FSC FM and FSC CoC lead auditor and has participated more than 300 FSC CoC audits and more than 30 FM audits in China mainland, Taiwan, HK, Vietnam and Thailand etc.</p>
Qiu Laiyi	<p>Auditor in trainee</p> <p>Qiu Laiyi, Master of Forestry, has 3 years' experience in sustainable forestry working. Qiu Laiyi is working for NEPCon (Beijing) Technical Promotion Co., Ltd as forestry certification coordinator of East Asia forestry certification in NEPCon.</p> <p>Before that she worked at WWF (China) as officer.</p>

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Nanjing Chemical Fiber Co., Ltd.	23 rd December 2020	0.5 hrs opening meeting 5 hours interview and documents review 1.5 hours on-site inspection and staff interview 0.5 closing meeting

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

3.3 Description of Overall Audit Process

An opening meeting for the assessment was hosted at the company's office on 23rd December 2020. At the beginning of the meeting, audit team and company introduced themselves. After that the company's representative gave a brief introduction of the operational activities. In addition, the audit scope and the certification schedule were confirmed. No questions were raised during the opening meeting.

After the opening meeting, the audit team started the audit process of the company. The auditor reviewed all necessary documents (Documented Control System (DCS), supplier list, Pulp Procurement Policy, training records, etc.).

The auditor toured the factory, warehouse and interviewed workers.

Finally, audit team conducted the closing meeting and recapped the audit plan and presented the overall findings and preliminary results to the company.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive conclusion:

The company has made a commitment and policy on responsible sourcing, organized training to staff and assigned the supply department for the implementation of the policy. The Pulp Procurement Policy and related training is being implemented openly to ensure all staff and workers are clear with the policy.

After company signed the pulp sourcing policy in 2015, it reduced its sourcing from to 5 suppliers (4 FSC certified and 1 PEFC Certified). Company is listing their suppliers transparently on its website, together with their FSC certificate number, and other relevant information. (<http://www.viscosefibre.com/purchase.asp>).

These suppliers are

1. SAPPI PAPIER HOLDING GMBH (South Africa , FSC certified.),
2. OJI PAPER CO., LTD. YONAGO MILL (Japan, FSC certified),
3. CAIMA – Indústria de celulose SA (PORTUGAL, FSC certified),
4. Södra Skogsägarna ekonomisk förening (Sweden, FSC certified)
5. Jari celulose, Papel E Embalagens S.A. (Brazil, PEFC certified).

The company is clear with the definition of “ancient & endangered forests,” “intact forest,” “natural forest,” “endangered species,” “controversial sources,” “high conservation value,” “high carbon area,” “peatlands,” etc. The company identified all suppliers back to the pulp mill level.

The company commits to advocating for conservation solutions regardless of whether the company is directly engaged in forest management. Advocacy can be in conjunction with suppliers, decision makers or NGOs, or stakeholders in the areas where the company is sourcing supply. Company has committed to sourcing FSC certified material and follow the commitment.

Areas for improvement:

The company has conducted a risk assessment with the findings of all suppliers were identified as low risk. This risk determination does not align with the Canopy Dissolving Pulp Classification tool which identifies Oji Paper Co as having potential risk and Jari Celulose as having known risk. 4 suppliers hold FSC certification and one supplier holds PEFC certification, but the company only sources dissolving pulp with certified claims from SAPPI PAPIER HOLDING GMBH and FSC claim is FSC MIX CREDIT (16.36% of total input). Material sourced from the other 4 suppliers is sourced without any forestry certification claims on incoming sales and delivery documentation. **Certification alone does not guarantee policy compliance and additional due diligence is required.**

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
SAPPI PAPIER HOLDING GMBH	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.

OJI PAPER CO., LTD. YONAGO MILL	Low risk	Potential risk due to ownership connection with Asia Pulp and Paper.
CAIMA – Indústria de celulose SA	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Södra Skogsägarna ekonomisk förening, Södra Cell	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Jari celulose, Papel E Embalagens S.A.	Low risk	Known risk previously identified, current associations and ownership conditions opaque.

The company has identified suppliers' information at the pulp mill level. The forest origin information is requested of the supplier, and often a declaration of origin is collected, but verifiable evidence was not collected to support declarations. Although company purchases from FSC certified or PEFC certified pulp suppliers and all suppliers declare their wood chips or round wood country of origin, additional information to assess risk of sourcing from ancient and endangered forests and controversial sources is not collected. This is critical in the assessment of the 2 potential and known risk suppliers.

There are no current procedures in place to ensure the implementation of the requirement for recognition and respect of human rights, worker's rights, ILO declaration, and FPIC rights for community at the supplier's level. All suppliers of the company are FSC or PEFC certified, but most of the material received is not certified material and holds no certification claim. The limited amount of certified materials that are sourced are FSC Mix from a low risk supplier.

4.2 Summary of findings

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

** 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 publically available commitment to full implementation of the forest sourcing policy **	Commitment Met
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	Commitment Not Met

	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	Commitment in Progress
	1.4 The MMCF producer has developed capacity and Companyal structure to implement the Policy.	Commitment Not Met
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	Commitment Met
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Commitment Met
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	Commitment Not Met
	1.8 The MMCF producer has put in place a grievance procedure.	Commitment in Progress
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	Not Applicable
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	Commitment in Progress
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	Commitment Not Met
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **	Commitment in Progress
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	Commitment in Progress
	2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	Commitment Met
	2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	Commitment Not Met
	2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	Commitment Met
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	Commitment Not Met
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", "high conservation value", "high carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	Commitment Met
	4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped	Commitment in Progress

	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. **	
	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. **	Not Applicable
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	Commitment Met
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	Commitment in Progress
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	Commitment in Progress
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	Commitment Not Met
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	Commitment in Progress
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	Commitment in Progress
	6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	Not Applicable
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	Not Applicable
	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. **	Not Applicable
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final	Not Applicable

	land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	Commitment in Progress
	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. **	Commitment in Progress
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	Commitment in Progress
	7.4 The MMCF producer and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers	Commitment Met
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	Commitment in Progress
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	Commitment in Progress
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	Commitment Not Met
	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.	Not Applicable
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	Commitment Not Met
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	Commitment in Progress
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	Commitment Not Met
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	Commitment Not Met
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference	Commitment in Progress

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

4.3 Volume Summaries⁶

Reporting period: 2019.12.01 to 2020.11.30

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	
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	5,782 ton	16.36%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	
Non-FSC	Material received with no FSC claim.	35,350 ton	83.64%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	

⁶ The volume summary is provided by the organization.

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

1. Evaluation of Site: Nanjing Chemical Fiber Co., Ltd.

Primary Responsible Person: (Responsible for control system at site(s))	Ping Kai, Safety Environment and Health dept QC Director
Auditor(s):	Huang Rui (Rick), audit team leader Qiu Laiyi, auditor in trainee
People Interviewed, Titles:	Du Guoxiang, General Manger Ping Kai, Safety Environment and Health dept QC Director Mr. Zhang, warehouse manager Mr. Zheng, purchase manager Mr. Chen, production Ms, Cai, environmental department Mr. Zhu, H&S Zhang Yadong, purchase Chen Qiong, HR Mr. Tang, production Mr. Xu, production Mr ChenChen, Chairman Mr. Zhang, Vice general manager
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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 committed to the implementation of the pulp sourcing policy published on the company's website: http://www.viscosefibre.com/purchase.asp</p> <p>Via interviews with senior managers, audit team confirmed that actions have been taken to implement the pulp sourcing policy such as adopting FSC CoC certification, establishing</p>

	<p>management procedures relevant to the pulp sourcing policy and priority to source FSC certified material.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Audit team reviewed company's management system which is based on the requirement of ISO 9000, 14000, 45000 that has no relevant to company's Pulp Procurement Policy. From interview with key managers of company, audit team confirmed that SOP required to implement the Policy were not established.</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 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: Senior managers are assigned for the implementation of company's Pulp Procurement Policy. Other departments in the Company all cooperate with senior managers to implement the policy. All personnel with responsibility for Policy implementation checked via orak, however, procedures and related responsibilities have not been documented established.</p>
<p>1.4 The MMCF producer has developed capacity and Company structure to implement the Policy.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Capacity and Company structure to implement the Pulp Procurement Policy were not established via the interview with key managers and documentation review.</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 has notified all suppliers about its commitment and the Pulp Procurement Policy via email, all suppliers confirmed the receipt of the email and agree to work together with the Company for the compliance of the commitment.</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: Company signed a general purchase agreement with suppliers annually without mentioning the quantity. In that annual general purchase agreement, the agreement contains the sentence on suppliers should support company implement the Pulp Procurement Policy.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Company doesn't establish a system to monitor supplier conformance with the Pulp Procurement Policy. Via the interview with key managers of company that the supplier verification method just focus on product quality and no actions have been taken to monitor supplier conformance with the Pulp Procurement Policy.</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 type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company has established non-conformance and grievance management procedure which is in accordance with ISO 9000 requirement that focus on product quality. This indicator is being graded as in progress, as the ISO complaint grievance procedure is not clearly applicable to grievances regarding the overall procurement policy related to this CanopyStyle audit.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any</p>	<p>Conformance with Indicator:</p>

<p>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: There is no grievance received since the implementation of the company's sourcing policy. It is not applicable for this initial audit and auditor is required to look for company's actions plan on the gap identified by this audit.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p>Conformance with Indicator: <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 senior managers sampled for interview are aware of the policy and related training on protect forest, environment, and company's Pulp Procurement Policy. However, there is an inaccurate determination of risk, and at least one supplier has a known risk, which is in non-compliance with 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 type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Procedures to implement Company Pulp Procurement Policy were not established.</p>
<p>Summary: The Company has made Pulp Procurement Policy on responsible sourcing, organized training to staff on the policy and assigned the supply department to implement the policy. However, there is an inaccurate determination of risk, and at least one supplier has a known risk, which is in non-compliance with the policy. It is the expectation of the CanopyStyle that gaps between policy commitments and actual sourcing policies will be addressed. CanopyStyle requires an effective SOP for the implementation of policy and supplier monitoring systems, however, Company hasn't established SOPs to implement Company Pulp Procurement 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 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>

<p>Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p><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 conducted the assessment and evaluated the supplier chain info via asking supplier info fill in the sourcing information form provided by Canopy. Auditor reviewed the supplier info form and found the info collected were not accurate and complete such as Forest Origin were just filled explanation by company, percentage of total input sourced info from each supplier are also not correctly calculated. The Internal Risk Assessment result of each supplier is no risk identified. Besides, Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool were not used by Company.</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator: <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 collected and identified all suppliers' transaction documents and sourcing information back to the pulp mill level only. For pulp sourced, the Company collected the information of Origin at country level in most cases and sub-country level in others. The Company purchased from FSC or PEFC certified suppliers and all declared their wood chips or round wood from the country of origin to the Company. However, Company does not collect the documents to show the timber's species and forest or plantation of origin. Additionally, Company did not verify the information provided by suppliers.</p>
<p>2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.</p>	<p>Conformance with Indicator: <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 just collected supply chain information from the pulp suppliers. Related risk assessment against the forest of origin and supply chain is at initial stage. The assessment result of Company shared with Canopy via sending emails of the filled sourcing information form to Canopy annually since 2015</p>

<p>2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>when Company start implementing the Pulp Procurement Policy.</p> <p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Company hasn't developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>
<p>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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 published its dissolving pulp supplier list on its website: http://www.viscosefibre.com/purchase.asp</p>
<p>Summary: After Company signed Pulp Procurement Policy, they removed noncertified suppliers and only sourced from 5 suppliers and 4 of them are FSC certified (detail supplier info can be found at section 4.1 above). Company identifies suppliers' information at the pulp mill level. The forest origin information provided from the pulp mill. Company's current documentation control system is lack of the requirement on identifying the risk including legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism. Besides, the Company isn't familiar with using any tools to collect or verify the forest of origin information andt using an overlay with the Canopy map of Ancient and Endangered forests. Traceability system was also not established by Company.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: After Company signed Pulp Procurement Policy, they removed noncertified suppliers and only sourced from 5 suppliers (4 of them are FSC certified). Around 16.36% material sourced are FSC certified and the other 83.64% was non-</p>

	<p>certified or material during 2019.12.01 to 2020.11.30 (no certification claims). For the non-certified pulp, Company representative explained that it is a low risk to involve in sourcing from plantations that were established on areas converted from natural forest after 1994. However, Company is not clear with the initial plantation development date and has not provided documented evidence of the initial plantation development date.</p> <p>(Note: FSC Mix and PEFC cannot guarantee that there is no plantations that were established on areas converted from natural forest after 1994.)</p>
<p>Summary: Around 16.36% material sourced are FSC certified and the other 83.64% were non-certified material. Company representative explained that it is a low risk to involve in sourcing from the forest containing plantations that were established on areas converted from natural forest after 1994.</p> <p>However, Company is not clear with the initial plantation development date and has not documented the initial plantation development date.</p> <p>There is a lack of company's system to make sure the material sourced from no conversion of natural forest to plantations sources.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	
Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**</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 adopted a clear definition of "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", in their policies.</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>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 collected and identified all suppliers' transaction documents and sourcing info back to the pulp mill level only. For pulp sourced, the Company collected the information of Origin at country level in most cases and sub-country level in others. However, Company has not identified or mapped the timber's country of origin, "ancient & endangered forests" or verify the information provided by suppliers.</p>

	<p>In addition, the Dissolving Pulp Classification tool indicates that three suppliers (SAPPI PAPIER HOLDING GMBH, CAIMA – Indústria de celulose SA, Södra Skogsägarna ekonomisk förening, Södra CellCaima, Södra Cell Mörrum) are at low risk of sourcing from Ancient and Endangered Forest, supplier of Jari cellulose, Papel E Embalagens S.A. and OJI PAPER CO.,LTD. YONAGO mill has known risk of sourcing in “ancient & endangered forests” as timber of Jari cellulose, Papel E Embalagens S.A. harvested in Brazil and timber of OJI PAPER CO.,LTD. YONAGO sourced from Indonesia. The details of forest location were not provided by suppliers.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company just collect forest information from the supplier and did not verify the forest origin. Although all suppliers are either FSC or PEFC certified, most of the material sourced by Company are non-certified. Company doesn't collect the detail forest origin information such as harvest permit or country of origin certificate. No material was identified as from ancient and endangered forests or other controversial sources before policy adopted in 2016 and this indicator is being graded as N/A. However, company sources from Oji Paper Co identified as having potential risk and Jari Celulose identified as having known risk via Canopy's dissolving pulp classification tool..</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 is a listed company in China. The auditor interviewed the staff and department manager who are responsible for legality activities. Company's managers and workers sampled for interview indicate that no illegal activities since 2015. Additionally, the auditor has made a survey via website searching that no negative news on illegal activities are found. https://aiqicha.baidu.com/company_detail_50705811793215?tab=risk</p>

4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**

Conformance with Indicator:

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

Description of the finding:

The Company collected and identified all suppliers' transaction documents and sourcing info back to the pulp mill level only. For pulp sourced, the Company collected the information of Origin at country level in most cases and sub-country level in others. However, Company has not identified or mapped the timber's country of origin, "ancient & endangered forests" or verify the information provided by suppliers.

In addition, the Dissolving Pulp Classification tool indicates that three suppliers (SAPPI PAPIER HOLDING GMBH, CAIMA – Indústria de celulose SA, Södra Skogsägarna ekonomisk förening, Södra Södra Cell Mörrum, and Caima) are at low risk of sourcing from Ancient and Endangered Forest, supplier of Jari cellulose, Papel E Embalagens S.A. and OJI PAPER CO.,LTD. YONAGO mill has known risk of sourcing in "ancient & endangered forests" as timber of Jari cellulose, Papel E Embalagens S.A. harvested in Brazil and timber of OJI PAPER CO.,LTD. YONAGO sourced from Indonesia. The details of forest location were not provided by suppliers.

Summary: The Company collected and identified all suppliers' transaction documents and sourcing info back to the pulp mill level only. For pulp sourced, the Company collected the information of Origin at country level in most cases and sub-country level. The suppliers all declared their wood chips or round wood species and the country-of-origin information to the Company. However, Company has not identified or mapped the timber's country of origin, "ancient & endangered forests" or verify the information provided by suppliers.

In addition, the Dissolving Pulp Classification tool indicates suppliers Jari cellulose, Papel E Embalagens S.A. and OJI PAPER CO.,LTD. YONAGO mill has known and potential risk of sourcing from "ancient & endangered forests" and other controversial sources. The details of forest location to assess risk further was not provided by suppliers.

The Company just collect forest information from the supplier and did not verify the forest origin. Although FSC or PEFC certified suppliers are used, most of the material sourced by Company are non-certified.

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

Indicators	Findings
5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <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: The Company collected and identified all suppliers through transaction, transportation and sourcing documents back to the pulp mill level. They have not identified the forest of origin.</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 type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: No related procedures have been established. Key managers also are not aware of how engage with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. Since the company signed the Policy, cooperation with some suppliers have been stopped such as Anhui Huatai Forest Pulp & Paper Company Limited.</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 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: After Company signed the Pulp Procurement Policy in 2015, they terminated cooperation with several suppliers such as Anhui Huatai Forest Pulp & Paper Company Limited, who did not hold FSC or PEFC certification. These withdrawals were not documented in accordance with this indicator. Auditor went on-site inspection of the material warehouse and found only Jari, SAPPI, OJI and CAIMA left in stock. Canopy Dissolving Pulp Classification: Oji Paper Co has potential risk and Jari Celulose has known risk. The company has not identified the risk and no actions taken to withdrawal the supply agreement with Jari or Oji.</p>
<p>Summary: The Company collected and identified all suppliers through transaction, transportation and sourcing documents back to the pulp mill level. They have not identified the forest of origin. No related procedures established. Company has sourced material from Jari (known risk identified by Canopy) and Oji (potential risk identified by Canopy) that low risk identified by company. Key managers also are not aware of the risk identified by Canopy and there is no follow up action on evaluating the risk taken by company.</p>	

6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.

Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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 auditor's interview with the Company representative indicated that the Company has invited and welcomed Canopy and the leader group to participate the 3rd party verification.</p>
<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: N/A – This is the first audit. None of suppliers has been confirmed the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, though the suppliers Jari celulose, Papel E Embalagens S.A. and OJI PAPER CO.,LTD. YONAGO mill require additional information on sourcing to achieve a concrete risk conclusion. Therefore, the company has not required its suppliers to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Same as above.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	Same as above.
6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**	<p>Conformance with Indicator:</p> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p>Description of the finding: Same as above.</p>
<p>Summary: Company has invited and welcomed Canopy and the leader group to participate the 3rd party verification. Oji has been identified as potential risk due to ownership connection with Asia Pulp and Paper. Jari has been identified as known risk due to current associations and ownership conditions.</p>	

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

Indicators	Findings
7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	<p>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 has developed pulp sourcing policy to implement Free, Prior and Informed Consent of indigenous people and local communities and has sent the policy to all suppliers. The Company requires that the suppliers follow this policy, but they have not required their supplier to developed a procedure to implement FPIC. This indicator cannot be guaranteed by holding certification alone.</p>
7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**	<p>Conformance with Indicator:</p> <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: Most suppliers are FSC certified which require companies to document their commitments to these rights. However, not all suppliers are FSC certified and holding certification alone is not sufficient to document conformance with this commitment. Currently, only around 16.36% material was sourced with FSC claim (FSC MIX</p>

	<p>CREDIT), but other material sourced are non-certified.</p> <p>Company hasn't collected additional info or taken additional measures to ensure that suppliers meet this requirement.</p>
<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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 has a public grievance mechanism to accept and handle complaints (see indicators 1.8 and 1.9), the procedure is in accordance with ISO 9000, but is not specific to the CanopyStyle policy.</p> <p>All suppliers are FSC or PEFC COC certified companies which can provide some evidence of conformance of this indicator, as certified companies are required to have such a transparent grievance mechanism for their certified scope. Additional evidence is required to demonstrate that the company and suppliers meet this requirement.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>From the interview with managers and workers sampled for interview, auditor was told that they work 8 hours per day and no forced labor, wages are higher than local minimum wages that paid in time. During the on-site inspection, auditor did not find any child labor.</p> <p>Company has 4 FSC COC certified suppliers and 1 PEFC certified supplier. FSC and PEFC CoC standards include a commitment to recognize and respect the rights of its workers. No evidence was found to indicate a lack of internal capacity and company structure.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</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>H&R management procedures reviewed by auditor that is in accordance with the ILO</p>

	<p>Declaration on Fundamental Principles and Rights at Work.</p> <p>Besides, the company's Pulp Procurement Policy and material procurement agreement contain the request of ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>The company has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts with the suppliers.</p> <p>All suppliers are FSC or PEFC certified companies which require a commitment to recognize and respect the ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>However, for non-certified supply (accounts for 83.64%) it is unknown if the suppliers require the equivalent of their own suppliers to uphold the International Labour Company (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 and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **</p>	<p>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>Recognition and respect for human rights is included in the Company's policy. Within the Company, there is a labor union which actively participates the management of the Company. most suppliers are FSC CoC certified companies which means they sign the Policy for Association which can demonstrate recognition and respect for human rights.</p> <p>However, most of the materials sourced by Company are not certified (FSC or PEFC) that is hard to ensure this commitment is met all throughout the supply chain, back to the forest.</p>
<p>Summary: The company and suppliers hold certification, but certification alone does not demonstrate conformance with indicators 7.1 – 7.6. Additionally, less than 17% of materials are sourced with certification claims, and these materials are FSC Mix. Additional evidence is needed to demonstrate full conformance.</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</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding: Company hasn't developed or 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>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: N/A, Company hasn't made any research or development phase for the production of pulp and cellulosic fiber made from alternative fiber sources.</p>
<p>Summary: Company hasn't developed or 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. Company hasn't made any research or development phase for the production of pulp and cellulosic fiber made from alternative fiber sources.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company actively engaged with Canopy and accepted third party verification against Canopy framework and guideline voluntarily. However, Company hasn't participated in events or taken actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.</p>
<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities.**</p>	<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</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: The Company requested all suppliers make commitments on FPIC of indigenous people and local communities, but the Company didn't join or initiate any conservation programmes.
9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The Company has not provided support for conservation solutions or programme.
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. **	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: Company is not involved in such programs.
Summary: Company has not advocated, joined or initiated any other forest conservation programmes.	

10. Responsible forest management	
Indicators	Findings
10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: In the Pulp Procurement Policy, it is stated the Company source fibre with the preference for FSC certification. However, no action plan to increase FSC input was made. During the audit period (2019.12.01 to 2020.11.30), around 16.36% material received are FSC mix certified and other material sourced are non-certified material.
Summary: In the Pulp Procurement Policy, it is stated the Company source fibre with the preference for FSC. However, no action plan to increase FSC input was made. By the date of audit,	

around 16.36% material received are FSC mix certified and other material sourced are non-certified material.

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

Indicators	Findings
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Company has no procedure or requirement to evaluate supplier's performance in reducing GHG.</p>
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Company has no procedure or requirement to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Company can't document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology.</p>
<p>Summary: Company has no procedure or requirement to evaluate supplier's performance in reducing GHG or to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes. Company can't document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology.</p>	

12. Pollution Prevention	
Indicators	Findings
<p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has provided evidence that it invests funds into pollution control systems at the mill. The investment in pollution control is around 200-250 million CNY. They keep pollution control technology updated when applicable. From the auditor's on-site inspection of the factory, a wastewater treatment plant was built so that wastewater emissions could be monitored in real time. Monitoring data is also public and is uploaded to local environmental protection department. Additionally CS₂ recycling equipment and waste gas treatment equipment were built.</p> <p>The company has not joined in ZDHC program.</p>
<p>Summary: The Company has provided evidence that it invests funds into pollution control systems at the mill. The investment in pollution control is around 200-250 million CNY. They keep pollution control technology updated when applicable. From the auditor's on-site inspection of the factory, a wastewater treatment plant was built so that wastewater emissions could be monitored in real time. Monitoring data is also public and is uploaded to local environmental protection department. Additionally CS₂ recycling equipment and waste gas treatment equipment were built. The company has not joined in ZDHC program.</p>	

** Indicates Critical Indicators

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

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

Primary Responsible Person: (Responsible for control system at site(s))	Du Guoxiang, General Manger of Factory
Auditor(s):	Huang Rui (Rick), audit team leader Qiu Laiyi, auditor in trainee
People Interviewed, Titles:	Du Guoxiang, General Manger Ping Kai, Safety Environment and Health dept QC Director Mr. Zhang, warehouse manager Mr. Zheng, purchase manager Mr. Chen, production Ms, Cai, environmental department Mr. Zhu, H&S Zhang Yadong, purchase Chen Qiong, HR Mr. Tang, production Mr. Xu, production Mr ChenChen, Chairman Mr. Zhang, Vice general manager Mr. Wang, worker Ms. Tang, worler Mr. Yang, forklift driver Ms. Liu, worker Ms. Xu, worker
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 their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input 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: The company senior managers sampled for interview are aware of the policy and related training on protect forest, environment and company's Pulp Procurement Policy. However, there is an inaccurate determination of risk, and at least one supplier has a known risk, which is in non-compliance with the policy.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Procedures to implement Company Pulp Procurement Policy were not established.</p>
<p>Summary: The company senior managers sampled for interview are aware of the policy and related training on protect forest, environment and company's Pulp Procurement Policy. But Procedures to implement Company Pulp Procurement Policy were not established. There is also an inaccurate determination of risk, and at least one supplier has a known risk, which is in non-compliance with the policy.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company import the pulp from foreign supplier that related purchase and sales documentation which is in accordance with the Customs Law such as purchase contract, certificate of origin, bill of lading, purchase invoice and packing list. However, the Company didn't collect or keep the documentation to identify the forest origin or species info.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The Company import the pulp from foreign supplier that related purchase and sales documentation which is in accordance with the Customs Law such as purchase contract, certificate of origin, bill of lading, purchase invoice and packing list. However, the delivery documentation (e.g.: certificate of origin, bill of lading, packing list) did not include the forest origin.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Around 16.36% material received are FSC certified with FSC Mix Credit claim and certificate code (all supplied by SAPPi) on purchase documents which are verified by sourcing team. The mill only checks the quality and quantity of material received.</p> <p>The company does not request the remaining % to have claims and does not consider this material certified.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Auditor reviewed the annual volume summaries of the Company that the template including the total quantity received, total quantity used, existing stock and the current stock. The quantity received from each supplier was also recorded by the Company.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company's, sale invoice and delivery bills does not include the forest/plantation of origin. Company has no forest certification certificate and not sold any product with certification claim.</p>

Summary:

The Company provided pulp importing documents, such as purchase contract, certificate of origin, bill of lading, purchase invoice and packing list. However, the Company didn't collect or keep the documentation to identify the forest origin or species info. The delivery documentation (e.g.: certificate of origin, bill of lading, packing list) did not include the forest origin.

Around 16.36% material received are FSC certified with FSC Mix Credit claim and certificate code (all supplied by SAPPI), on purchase documents which are verified by sourcing team. The mill only checks the quality and quantity of material received. Auditor reviewed the annual volume summaries of the Company that the template including the total quantity received, total quantity used, existing stock and the current stock. The Company's sale invoice and delivery bills does not include the forest/plantation of origin. Company has no forest certification certificate and not sold any product with certification claim.

4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.

Indicators	Findings
<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 is a listed company in China. The auditor interviewed the staff and department manager who are responsible for legality activities. They indicate that no illegal activities since 2015. Additionally, the auditor has made a survey via website searching that no negative news on illegal activities are found. https://aiqicha.baidu.com/company_detail_50705811793215?tab=risk</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company collected and identified all suppliers' transaction documents and sourcing info back to the pulp mill level only. For pulp sourced, the Company collected the information of Origin at country level in most cases and sub-country level in others. However, Company has not identified or mapped the timber's country of origin, "ancient & endangered forests" or verify the information provided by suppliers. In addition, the Dissolving Pulp Classification tool indicates that three suppliers (SAPPI PAPIER HOLDING GMBH, CAIMA – Indústria de celulose</p>

	<p>SA, Södra Skogsägarna ekonomisk förening, Södra Södra Cell Mörrum, and Caima) are at low risk of sourcing from Ancient and Endangered Forest, supplier of Jari cellulose, Papel E Embalagens S.A. and OJI PAPER CO.,LTD. YONAGO mill has known risk of sourcing in “ancient & endangered forests” as timber of Jari cellulose, Papel E Embalagens S.A. harvested in Brazil and timber of OJI PAPER CO.,LTD. YONAGO sourced from Indonesia. The details of forest location were not provided by suppliers.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The purchase department of the Company is responsible for supplier monitoring not the production site.</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</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: See Appendix A findings for the corporate HQ audit. This is the first audit and low risk cannot be determined at this time.</p>
<p>Summary: The Company collected and identified all suppliers’ transaction documents and sourcing info back to the pulp mill level only. For pulp sourced, the Company collected the information of Origin at country level in most cases and sub-country level in others. However, Company has not identified or mapped the timber’s country of origin, “ancient & endangered forests” or verified the information provided by suppliers.</p> <p>In addition, the Dissolving Pulp Classification tool indicates that two of the 5 suppliers cannot be determined as low risk and have potential or known risk of sourcing from ancient and endangered forests.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings
<p>5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<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 purchase department of central office is responsible for supplier monitoring.</p>
<p>Summary: The purchase department of central office is responsible for supplier monitoring.</p>	

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

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Nanjing Fibre Company, Ltd. for continuous improvement

May, 2021

Canopy applauds Nanjing for completing its first CanopyStyle audit. The audit demonstrates that Nanjing has lowered risk by removing some suppliers that did not hold any forest management certification. However, the audit did confirm that the company still needs to continue to take additional action to further reduce its risk of sourcing from Ancient and Endangered Forests and other controversial sources.

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

- Address or eliminate known and potential risk associated with potential and know-risk suppliers. In particular the sourcing geography of one dissolving pulp supplier is in the Brazilian Amazon region, where there are concerns and association with illegal logging. Another supplier is sourcing from Indonesia and has been associated with controversial suppliers.
- Become FSC Chain of Custody certified and increase the amount of FSC certified fibre used, with preference for fibre from forests or plantations certified to the FSC forest management standard (FSC 100%);
- While purchasing from FSC certified mills does help to reduce some risk, it is important to note that pulp purchases from certified suppliers may be associated with risk and to ensure the dissolving pulp materials used by Nanjing come with FSC claims.
- Establish and use due diligence/risk assessment procedures (using Canopy tools – Dissolving Pulp Classification and Forest Mapper – and other tools as appropriate) in evaluating pulp sources and communicate expectations that pulp suppliers disclose forest/plantation of origin, declare plantation establishment date, legality, land acquisition and impacted community consultation procedures, use of GMO's, etc.

Based on the audit report, Canopy also recommends:

- Developing and using procedures to assess supplier conformance with requirement that FPIC is fulfilled and human and worker rights are respected and taking measures to mitigate where suppliers are not in conformance.
- Adopting a plan and targets for the use of Next Generation alternative fibres in a commercially competitive way, and developing and implementing an internal action plan to achieve this;
- With support from Canopy, supporting advocacy actions for the conservation of key priority forest regions;
- Adopting best in class processing technologies. Work with experts in the field to implement pollution control technologies to limit impact. Implement the new ZDHC MMCF guidelines¹ for chemical management (once available for Iyocell), which give suppliers

unified criteria for measuring output indicators like wastewater, sludge, air emissions and other process- related parameters.

We recommend that Nanjing develop and implement action plans for all of these priority issues, so that they can be addressed before the next audit.

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

Once again, we congratulate you for the completion of your audit. We look forward to working collaboratively with Nanjing to address these recommendations, other outstanding issues and move to “green shirt” status in Canopy’s Hot Button report.

