



CanopyStyle Audit Report for Kara Fiber (Karafiber Elyaf)

Assessment 2022

Evaluation date: 8.2.2022

Report date: April 28 2022

Organisation Contact

Ferhat Yildiz
2. OSB 83221 Nolu Cad. No: 6
83221 Gaziantep, Turkey

Audit managed by

NEPCon FMBA
Copenhagen, Denmark
Contact person: Gweneth Langdon
Tel: +1 802 434 3420
Email: glangdon@preferredbynature.org

TABLE OF CONTENTS

INTRODUCTION	3
1. GENERAL DESCRIPTION	4
2. EVALUATION SCOPE	5
3. EVALUATION PROCESS	6
4. EVALUATION RESULT	7
Appendix A: standard checklist CanopyStyle Kara Fiber	16
Appendix B: RECOMMENDATIONS FOR IMPROVEMENT	41

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 *Kara Fiber (Karafiber Elyaf)* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (November 2021 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 470 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

Kara Fiber is a brand new lyocell production facility based in Gaziantep, Turkey. It belongs to large Kara Holding, an important industry holding that focuses on production of nonwoven textiles, yarn and plastics and newly also man-made cellulosic fibre. Kara Fiber has started its production of Lyocell fibres (brand name Ecocell) in October 2021 and is still in the testing phase while already selling lyocell fibre. The company has three shareholders – two European companies and 80% belongs to Kara family. The pulp as the input feedstock is transported from the ports of Mersin and Iskenderun in the Mediterranean by trucks to Gaziantep facility.

1.2 Company scope (sites, locations, etc)

The company has one site in Gaziantep, Turkey.

1.3 Company sourcing policy

The company has 4 suppliers of dissolving pulp: Cosmo Speciality Fibre, Caima – Indústria de celulose SA, Domsjö Fabriker AB and Austrocel Hallein GmbH. According to its procurement policy Kara Fibre is committed to playing a leadership role in the dissolving pulp & cellulosic fibre industry and will work with its wood fibre suppliers and Canopy in order to promote sustainable forest management and the protection of ancient and endangered forests. The company became FSC CoC certified since 25 November 2021 with certification code TT-CoC-CoC-007819. Additionally, the company maintains a ISO 9001 Quality Management System and is Oeko-Tex standard 100 certified.

The company sourcing policy is described in detail in its Fibre Procurement Policy for Protecting Forests signed on 9th of February 2021. The organization hereby commits itself to (among others):

- assess the existing supply chain of wood pulp and fiber and ensuring that it is not sourcing fibers made from ancient and endangered forests areas including, but not limited to, the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, South East Asia, the Central and South America (Amazon) and Africa, and/or endangered species habitats,
- eliminate sourcing fibre from other controversial sources including companies that are logging forests illegally and from tree plantations established after 1994 through the conversion or simplification of natural forests,
- eliminate all fibre from a corporate connection, association, ownership or affiliation with an entity which is known to be at high risk of sourcing from ancient and endangered forests and other controversial sources,

- request that their suppliers respect the Universal Declaration of Human Rights and acknowledge indigenous and rural communities legal, customary or user rights to their territories, land, and resources,
- require that suppliers acknowledge the right of Indigenous People and rural communities to give or withhold their Free, Prior and Informed Consent (FPIC) before new logging rights are allocated or tree plantations are developed, resolve complaints and conflicts, and remediate prior human rights violations through a transparent and accountable grievance mechanism and mutually agreeable dispute resolution process.
- complete the current independent third-party verification audit, including the publication of the audit report and adopt an action plan to make continuous sustainability improvements,
- increase their FSC certified pulp intake by at least 10% each year and aim to have all our intake FSC certified by 2026,
- seek opportunities to directly contribute to conservation planning and increased legislated protection in key Ancient and Endangered forest hot spots,
- support ambitious international conservation targets, and will be an advocate for Nature Needs Half initiative
- be proactively reaching out to Canopy to seek opportunities to advance solutions and meet new marketplace requirements.

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:		
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No Comments:
Mill Capacity:	1.800 ton/year last year (the production started in October 2021), the estimated mill capacity is 20.000 tons for 2022, 45.000 tons for 2024, 100.000 tons will potentially be the total capacity.	
Primary Activity:	Conversion of dissolving pulp to Lyocell fibers	
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: 266	Permanent female: 47
	Contract male: 0	Contract female: 0
	TOTAL: 330	

Sites included in evaluation	Location
Kara Fiber (Kara Elyaf)	5.OSB 83565 Nolu Cad. No:12 Göksüncük Mevkii Sehitkamil, Gaziantep, TURKEY

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Michal Rezek	Michal Rezek is in charge of developing our service and client portfolio and maintaining a high-quality service level. In addition, he handles FSC and Rainforest Alliance Sustainable Agriculture services and acts as a trainer on FSC Expert courses organized by Preferred by Nature. He possesses long term experience in working with the FSC system in the Czech Republic and across Europe. Amongst other roles, he managed the FSC National Office in the Czech Republic for seven years (2002-2009) where he facilitated the development of the Czech National FSC Forest Management Standard. Prior to joining Preferred by Nature, he worked at Friends of the Earth and WWF forest- related projects and campaigns. Michal is a geographer by education. He has also passed Preferred by Nature's LegalSource, Rainforest Alliance and FSC courses for lead auditors.

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Kara Fibers, Gaziantep, Turkey	8 th February 2022	8

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

3.3 Description of Overall Audit Process

Preferred by Nature lead auditor shared an audit plan with the Company before the onsite visit. The company submitted supplier list, risk assessment and system documents to the auditor for review before the audit. No feedback was provided. On 8th of February 2022, the audit started with an opening meeting with the presence of management representatives and the key staff from relevant departments. The objective and scope of the audit, agenda, conflict of interest (COI) and confidentiality issues, etc. were communicated.

Also, the management representative gave a brief introduction of the Company and operation activities and the effort made on Canopy sourcing policy. Following the opening meeting, the auditor interviewed the management team regarding the organisation's Canopy policy commitment, Company structure, Canopy training, sourcing/purchasing policy, supplier management, research of alternative Fibre, environment protection, forest protection, etc. Round tour through the company facilities were made including visit in the input material storage and purchasing department. After interview with management, related documents were reviewed, such as Wood Fibre Sourcing Policy and Operational Procedures, Annual Volume Summary Data, purchase documents (invoices, packing lists etc.), Risk Assessment Report, Training Plan and records, communication with the suppliers, etc.

After reviewing the documents, the auditor communicated with the company on the audit findings and closed the audit.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

The company is very new and only started its production of Lyocell fibres in October 2021. It established its Policy on 9th of February 2021, and began integrating its Canopy commitments as soon as it became operational. The producer has made significant attempts to collect sufficient information from its suppliers to evaluate risk and confirmed low risk for 3 of their 4 suppliers. One supplier remains with potential risk of sourcing from ancient and endangered forests (proximity to Intact Forest Landscapes). The company was awaiting the results of field-based verification audit at the facility of the supplier.

Positive Findings:

The Company has developed and has been implementing the sourcing policy and related procedures in line with CanopyStyle initiative and communicated this policy with all suppliers. The key managers are aware of the sourcing policy and definition of ancient and endangered forests, relevant staff was well trained and very supportive to audit objectives and Canopy initiative. The producer has collected the information from all four suppliers and conducted risk assessments. The pulp suppliers list was made public on the Company’s official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group. The Canopy sourcing policy has been communicated to the suppliers. The requirements to implement the policy have been included in the purchasing order and contract with all suppliers. The company has developed an action plan to increase FSC purchase – increase the proportion of FSC certified inputs to reach 100% intake of FSC material in 2026.

The producer plans to partner with Cosmo Speciality Fibre on next generation of fibre (based on recycled textile fibre). The company has approach Cosmo on strategic partnership on this. The company also started negotiation with an EU partner for investigating potential of hemp fibre.

The company is in preparation for they prepared for EUBAT certification and is a new participant in ZDHC.

Areas for Improvement:

None of the suppliers was willing to give their full supply chain information so the organisation does not know the sub-suppliers, their structure and supply chain down to the forest unit level.

So far the system for implementation of the Policy could not be implemented fully due to the very recent beginning of the whole production process. However, the company demonstrated significant effort to collect and analyse all necessary information from its suppliers.

Clear definitions have been adopted by the organisation in its Policy besides the terms “high carbon area”, “peatlands”, “endangered species” and “high conservation value”. These terms are used in the Policy and other procedures however not explained (defined).

The company is newly established and still not running on full capacity. The producer conducted an analysis/research on using alternative fibre sources (recycled fibres are considered) and it shows potential for additional alternative feedstock. The company also started negotiation with a partner for investigating potential of hemp fibre. It would be recommended that 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 could enter a commercial scale phase.

The producer demonstrated interest and willingness to 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. The producer is ready to discuss the possibilities with Canopy as well as specific programs to increase the endangered species population and the maintenance of their habitat through time. Ideally this could be one initiative.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
AustroCel Hallein GmbH	Low Risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Caima – Indústria de celulose SA	Low Risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Cosmo Speciality Fibers	Potential Risk (will be updated when the verification audit is completed)	In proximity to coastal temperate rainforests and Intact Forest Landscapes.

		Further sourcing information and/or auditing required.
Domsjö Fabriker AB	Low Risk	No sourcing issues identified based on current information and/or CanopyStyle audit.

The organisation purchase dissolving pulp from 4 principal suppliers (see above).

Cosmo Speciality Fiber pulp is traded through CNG Fiber Trade Europe srl. while the Domsjö pulp is traded through Ekman. During the audit purchasing sample invoices were checked from all the suppliers. These included:

Caima Eg. 9303000636, 13.12.2021 FSC Mix Credit, APCER-CoC-150085, 515 units, 825,931 ATMT

AustroCel Hallein GmbH, Inv. 2021-49481-3, 820 ADMT, PEFC certified 100% PEFC certified DC-CoC-000972

Domsjo, E. Inv 46159, 9.10.2021, 1255 ADMT + 1255 ADMT, no certification

Caima, INV 9030000618, 4.11.201, 700 ADMT, no certification

Cosmo, Invoice 513/E 320 Units, 29/12/2020, non certified.

4.2 Summary of findings

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

** Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy **	<i>Commitment Met</i>
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	<i>Commitment Met</i>

	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	<i>Commitment Met</i>
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<i>Commitment Met</i>
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	<i>Commitment Met</i>
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment in Progress</i>
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<i>Commitment in Progress</i>
	1.8 The MMCF producer has put in place a grievance procedure.	<i>Commitment Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Commitment Met</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment Met</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment Met</i>
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment Met</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights	<i>Commitment Met</i>

	and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	<i>Commitment in Progress</i>
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", "high conservation value", "high carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	<i>Commitment Met</i>
	4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	<i>Commitment Met</i>
	4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	<i>Not Applicable</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<i>Commitment Met</i>
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<i>Commitment in Progress</i>
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<i>Commitment in Progress</i>
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. **	<i>Commitment Met</i>

	(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<i>Not applicable</i>
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, the Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<i>Commitment Met</i>
*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)	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. **	<i>Insufficient Information</i>
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	<i>Not applicable</i>
	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. **	<i>Insufficient Information</i>
	6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in	<i>Insufficient Information</i>

	a way that meets principles of Free Prior and Informed Consent. **	
7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies in the forestry sector	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **	<i>Commitment in Progress</i>
	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. **	<i>Commitment in Progress</i>
	7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.	<i>Commitment in Progress</i>
	7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.	<i>Commitment Met</i>
	7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.	<i>Commitment in Progress</i>
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer 's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **	<i>Commitment in Progress</i>
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment in Progress</i>
	8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<i>Commitment Not Met</i>

9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **	<i>Not Applicable</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Not Applicable</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Not Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<i>Commitment Not Met</i>
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment in Progress</i>
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment Met</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment Met</i>
12. Pollution Prevention	12.1 * This verification process <u>will not</u> verify the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. 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-	<i>Not Applicable</i>

	man-made-cellulosic-guidelines-released	
--	---	--

4.3 Volume Summaries⁵

Reporting period:

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)		
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	825.931	7,89%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).		
Non-FSC	Material received with no FSC claim.	7556.594,75	72,15%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	2.090.250,00	19,96%

⁵ The volume summary is provided by the organization.

Appendix A: standard checklist CanopyStyle Kara Fiber

Verification Framework – Corporate Office Verification

1. Evaluation of Site: Kara Fiber

Primary Responsible Person: (Responsible for control system at site(s))	Ferhat Yieldiz, Planning Chief, CanopyStyle company representative
Auditor(s):	Michal Rezek
People Interviewed, Titles:	<p>Abdullah KARA, Member of the Board</p> <p>Mehmet ÖNER, Group HR Manager</p> <p>Birol Anil KESKİN, Technical Manager</p> <p>Osman DAL, Plant Production Chief</p> <p>Serkan CANSIZ, Plant Production Engineer</p> <p>Uğur ÖZKARAMAN, Warehouse Chief</p> <p>Nalan YAHŞI, Quality Control Chief</p> <p>Ferhat YILDIZ (CanopyStyle company representative), Planning Chief</p> <p>Alpay KÖRKÖSE, OHS Specialist</p> <p>Emre GÖZGÖREN, IT Specialist</p>
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	N/A

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The company has developed the PO-SÜR-001-ENG Fibre Procurement Policy for Protecting Forests (here and after called „Policy“), that was signed on 9.2.2021.</p> <p>The Policy was signed by Mustafa Kara, company board member.</p> <p>It is available on the company website https://www.karafiber.com/policiescono.html.</p> <p>The company send that to all suppliers and sales agencies and all have approved it – 6 acceptance statements submitted by the company. Implementation is in is beginning.</p> <p>The company also includes its Policy as integral part of their orders for pulp.</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</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>SOP has been developed in a way that it is split in several policies, the umbrella policy is PR-SUR-001 Forest Products Procurement Policy Implementation Procedure that further refers to PR-SUR-002 Forest Products Procurement Procedure, PR-SUR-003 Forest Products Supply Chain Risk Assessment Procedure, PR-SUR-004 Forest Products Supply Chain Grievance Procedure and PR-SUR-005 Supplier Performance Evaluation Procedure for Reducing GHG.</p> <p>Based on interview with the Planning Manager the organisation is prepared to give procedures to anyone asking for it. The company website on grievance procedure also offers to send the grievance procedure.</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</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>Kara Fibers has appointed Ferhat Yildiz, Planning Chief as the person responsible for Policy implementation. Appointment document showed during the audit signed by the member</p>

	<p>of the Board. This was confirmed by the member of the board during the audit.</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 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: Kara Fiber representatives presented the organization structure – organigram during the audit. It showed several people can support Planning Chief in implementation including the Quality Manager who proved to have significant experience in working with different certification schemes such as ISO 9001 and SA8000. According to the interviews the Planning Chief has support from the board members and sufficient capacity to take care of Policy implementation. Planning Chief is in charge of Quality Assurance and Planning and Sustainability departments. The Planning Chief started to work in the company 6 months ago and since October he has been working on preparation for the CanopyStyle audit. He also managed to get the FSC certificate for the company in November 2021.</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: The company sent its Policy all suppliers and sales agencies and all have approved it – 6 acceptance statements submitted by the organisation during the audit. The company also presented emails to all suppliers e.g. one to pulp producer Caima sent on 23.11. 2021.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input 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 sent its Policy to all suppliers and sales agencies and all have approved it – 6 acceptance statements submitted by the company. The company has incorporated it to the purchasing contracts and orders with their suppliers. As the company just started the production they were not yet in a process of signing new purchasing contracts. The company also specifies the outline of the policy to every purchase order as was shown during the audit.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Implementation procedure PR-SUR-003 states the risk assessments will be done every year (in January) and describes what is needed to be checked from its suppliers:</p> <ul style="list-style-type: none"> - Assessing the existing supply chain of wood pulp and fiber, - Use tools such as Forest Mapper, the Advice Note on Ancient and Endangered Forest Sourcing and the Dissolving Pulp Classification to assess supply chain risks - Identifying the origin of the pulp and plantations/wood fibre through mapping its entire raw material supply chain - Eliminating all fibre from a corporate connection, association, ownership or affiliation with an entity which is known to be at high risk of sourcing from ancient and endangered forests and other controversial sources <p>So far the monitoring system could not be implemented fully due to the beginning of the whole production process however the company demonstrated significant effort to collect all necessary information from its suppliers, analysing them.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding: PR-SUD-004 describes the grievance procedure. Grievances are submitted through email address feedback@karafiber.com and organisation websites https://www.karafiber.com/grievance.html and phone number. The company developed templates – complaint form and corrective action form to process grievances and corrective actions. Quality Assurance Manager and Planning Chief are key responsible. So far no grievances were received.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**</p>	<p>Conformance with Indicator:</p> <p><input 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: PR-SUD-004 describes the grievance procedure. The company also presented the grievance log/template. No grievance has been recorded so far. The grievance procedure describes based on what the company will take actions and how they will take the action to resolve the grievance (up to the situation when they resign from specific supplier). The company developed also corrective action form for dealing with non-conformance identified. Due to the fact that the company has just started its production and there were no non-conformances and grievances identified, there was no action plan filled in.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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 training on Policy content was conducted on 26.1. 2021 as the training record showed. All managers including the production managers have signed the training logs (as reviewed during the audit) and the interviews showed the people were aware and committed.</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</p>

	<input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The set of procedures PR-SUR-001 to PR-SUR-005 cover implementation of the policy in the production, purchasing and communication parts of the company operation. Overall responsibility is with the Planning Chief who communicates with other department chiefs.
<p>Summary: The company has developed the PO-SUR-001-ENG Fibre Procurement Policy for Protecting Forests (Policy), that was signed on 9.2.2021 and is available on the producer website. The company send that to all suppliers and all have approved it by signing acceptance statements. SOP has been developed in a way that it is split in several policies and the organisation is prepared to give procedures to anyone asking for it. Planning Chief has been appointed as the person responsible for Policy implementation. The producer has developed capacity and Company structure to implement the Policy - Quality Assurance and Planning and Sustainability departments oversee the implementation. The producer has incorporated the Policy to the purchasing contracts and orders with their suppliers. So far the monitoring system could not be implemented fully due to the very recent beginning of the whole production process however the company demonstrated significant effort to collect all necessary information from its suppliers, analysing them. The producer has put in place the grievance procedure based on procedure and operating templates. The training on Policy content was conducted and relevant staff demonstrated their awareness.</p>	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: The organisation has presented material records for the dissolving pulp it uses for its fibre production and also the annual summary as shown above under session 4.3. It includes information on FSC status and FSC claims. The company only started its production in October 2021 and in 2021 it purchased 7,89% FSC certified, 19,96% PEFC certified, which was equal to 825.931 tons of the input material was purchased with FSC Mix Credit claim while the rest was without FSC certification.</p>
2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met

<p>Dissolving Pulp Classification tool, to make their supply assessment.</p>	<p><input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organisation presented the Supplier chain Risk Assessment – January 2022 - this is a simplified version the risk assessment template. The producer used Forest Mapper, the Advice Note and classification tool. Risk assessments were filed in by all direct suppliers and submitted to the auditor. The information received was then simplified and summarized into the file - Supplier chain risk assessment – January 2022. The results of the risk assessment are in line with the Dissolving Pulp Classification tool – see supplier list under chapter 4 above. None of the suppliers was willing to give their full supply chain information so the organisation does not know the sub-suppliers, their structure and supply chain down to the forest unit level.</p>
<p>2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has requested this information, but none of the suppliers was willing to give their full supply chain information so the organisation does not know the sub-suppliers, their structure and supply chain down to the forest unit level.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group</p>	<p>Conformance with Indicator: <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 sent the risk assessment to Canopy on 6.2.2021 when they also mentioned it shall be shared with the Leaders Group. The auditor have checked the email communication between the organisation and Canopy. According to the company procedure PR-SUR-003 supplier the risk assessment is scheduled for January of each year and this was also mentioned by the Planning Chief.</p>

<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<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: 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 are listed in the PR-SUR-003 and Supplier Risk Assessment Form that is used for collection of information from suppliers. The information gained is summarized in the Supplier chain Risk Assessment – January 2022 for each of the 4 suppliers. However, none of the suppliers was willing to give their full supply chain information so the organisation does not know the sub-suppliers, their structure and supply chain down to the forest unit level.</p>
<p>2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has made list of first tier suppliers on their website https://www.karafiber.com/pulpsuppliers.html – these are the 4 pulp suppliers.</p> 
<p>Summary: The organisation presented the Supplier chain Risk Assessment. The producer used Forest Mapper, the advice note and classification tool. The company has sent the risk assessment to Canopy and they also suggested it shall be shared with the Leaders Group. 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 are listed in the producer procedure and Supplier Assessment Form that is used for collection of information from suppliers. The company has made list of first tier suppliers on their website.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate.**	<p>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: This commitment is included in the company policies and communicated to suppliers when asking for their Supply Risk Assessment Form filling. Risk assessment from all suppliers shows no sourcing from plantations converted after 1994, but dates have not yet been provided.</p>
<p>Summary: This commitment is included in the company policies and communicated to suppliers when asking for their Supply Risk Assessment Form filling. Risk assessment from all suppliers shows no sourcing from plantations established after 1994 are used.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	
Indicators	Findings
4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**	<p>Conformance with Indicator:</p> <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: Clear definitions have been adopted by the organisation in its Policy. These terms are used in the Policy and other procedures.</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>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: The producer demonstrated it has used the ForestMapper and information gained from the suppliers to identify suppliers sourcing from areas meeting the definition of "ancient and endangered forests". The company has shared</p>

	<p>the Supplier Risk Assessment Report – January 2022 with potential risk of sourcing from ancient and endangered forests on the side of Cosmo Speciality Fiber supplier. According to the producer and communication between them and the supplier, Cosmo was about to undergo and onsite CanopyStyle visit in 2022.</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 has signed its Policy (9th February 2021) even before it even started production (October 2021). The company is using material from Cosmo Speciality Fiber that is treated as with potential risk according to company Risk Assessment and the CanopyStyle Classification of Dissolving Pulp Mills. The company has procedure PR-SUR-003 that deals with situation when material is purchased and then identified as high risk. During the visit in the storage the pulp from all suppliers was clearly marked (on pulp bales that were stored in separate areas for each supplier) so that company can clearly identify high risk material if eg. material from Cosmo is proved to be high risk.</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 Turkey. The auditor interviewed the staff and department manager who were responsible for legality activities. Company's managers and workers sampled for interview indicate that no illegal activities are conducted. Additionally, the auditor reviewed several public websites in Turkey and found no evidence on illegal activities. In the absence of evidence otherwise, this indicator is graded as commitment met.</p>

<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company is in the initial stage of implementation of the CanopyStyle commitments. Needs to be checked at the next surveillance audit. According to its set of procedures and interview with Planning Chief and other responsible people the company has the system to effectively verify the commitment not to source from ancient and endangered forests and other controversial sources. The company is verifying the commitments of its direct suppliers continuously and planning to conduct risk assessment every January. The company was in direct communication with Cosmo Speciality Fiber and was searching for information about the nature and result of their verification audit that was planned for 2022. The producer has mechanism in place to potentially stop sourcing from any supplier that would prove to source from ancient and endangered forests and other controversial sources.</p>
<p>Summary: The company has shared the Supplier Risk Assessment Report – January 2022 with potential risk of sourcing from ancient and endangered forests on the side of Cosmo Speciality Fiber supplier. Clear definitions has been adopted by the organisation in its Policy besides the terms “high carbon area”, “peatlands”, “endangered species” and “high conservation value”. These terms are used in the Policy and other procedures however not explained (defined). The company is using material from Cosmo Speciality Fiber that is treated as with potential risk according to company Risk Assessment and the CanopyStyle Classification of Dissolving Pulp Mills. The producer has procedure that deals with situation when material is purchased and then identified as high risk. The company is in the initial stage of implementation of the CanopyStyle commitments. According to its set of procedures and interview with Planning Chief and other responsible people the company has the system to effectively verify the commitment not to source from ancient and endangered forests and other controversial sources. The company is verifying the commitments of its direct suppliers continuously and planning to conduct risk assessment every January.</p>	
<p>5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them</p>	
<p>Indicators</p>	<p>Findings</p>
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding:</p> <p>The company is limited by the information their four direct suppliers give to them. None of the suppliers was willing to give their full supply chain information so the organisation does not know the sub-suppliers, their structure and supply chain up to the forest unit level. Thus, the producer relies on the information on forest origin that was given by the supplier and the information CanopyStyle Classification of Dissolving Pulp Mills and ForestMapper.</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has developed procedure PR-SUR-003 Forest Products Supply Chain Risk Assessment Procedure. The document in its chapter 4, specifies: “We even reserve the right to withdrawing from purchase and other agreements in situations where non-conformance about the implementation of Canopy Policy is found”. The producer commitment has been communicated to the suppliers as the email correspondence showed and the suppliers have acknowledged that in writing by signing the “Declaration Notification – Acceptance Statement of Supplier” e.g. one from AustroCel signed on 25.11.2021 and one from Domsjo signed on 7.2.2022. The Policy is also part of the order that the producer sent to supplier and by accepting the order the supplier is agrees to/accepts the Policy. Furthermore the contract with the supplier includes “Canopy Sourcing Policy Compliance. The procurement processes subject to this order will be in accordance with the Canopy policy of Kara Fiber that previously declared to the supplier. With the confirmation of the order, the supplier is deemed to have declared it will comply with this policy.”</p> <p>Several orders and contracts with suppliers were checked by the auditor.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: No withdrawals from supply agreements done yet as the producer has just started to operate and been assessed but the procedure is made so that they are possible. See under 5.2. above.
<p>Summary: The company is limited by the information their four direct suppliers give to them. None of the suppliers was willing to give their full supply chain information so the organisation does not know the sub-suppliers, their structure and supply chain up to the forest unit level. Thus the producer relies on the information on forest origin that was given by the supplier, ForestMapper and the information in CanopyStyle Classification of Dissolving Pulp Mills.</p> <p>The company has developed procedure Forest Products Supply Chain Risk Assessment Procedure. The document specifies that the producer reserves the right to withdrawing from purchase and other agreements in situations where non-conformance about the implementation of Canopy Policy is found. The producer commitment has been communicated to the suppliers and the suppliers have acknowledged that in written by signing the “Declaration Notification – Acceptance Statement of Supplier”.</p> <p>No withdrawals from supply agreements done yet as the producer has just started to operate and been assessed.</p>	

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

* If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may excute the conservation planning and FSC certification themselves)

Indicators	Findings
6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: During the audit interviews the Planning Chief and member of the Board confirmed Canopy, Leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.</p>
6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection,	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress

<p>has been completed, based on best available science, by a credible third party, and made public. **</p>	<p><input type="checkbox"/> Commitment Not Met <input checked="" type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Additional information will be acquired when the Cosmo verification audit is conducted later in 2022 and will serve to better evaluate this indicator during the next verification. During the interviews with the Planning Chief he was aware of this commitment and he demonstrated the company's engagement by showing communication with Cosmo and Canopy.</p>
<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is only required when company's sourcing has been verified as coming from areas where there is record of conflict or human rights violations.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOS.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input checked="" type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Additional information will be acquired when the Cosmo verification audit is completed, and this indicator will be reevaluated during the next audit cycle.</p>
<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met</p>

	<input checked="" type="checkbox"/> Insufficient Information Available Description of the finding: This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Additional information will be acquired when the Cosmo verification audit is completed, and this indicator will be reevaluated during the next audit cycle.
<p>Summary: The management representatives confirmed Canopy, Leader Group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. Indicator 6.2-6.5 are only required when company's sourcing has been verified as key priority areas of ancient and endangered forests. This verification has not yet been completed. Additional information will be acquired when Cosmo Speciality Fiber verification audit is conducted.</p>	

7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies in the forestry sector	
Indicators	Findings
7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>According to the documents check the producer has incorporated the commitment to implement FPIC on indigenous people and local communities affected by forest operations in its Policy.</p> <p>Supplier Assessment Form asks suppliers to report how they have adopted the Policy, it was sent to all suppliers and the producer collected the information. The summary of the responses was checked by the auditor. Eg. Cosmo sent their forestry policy requiring implement Free, Prior and Informed Consent of indigenous people and local communities, AustroCel and Caima replied it is not an issue in their sourcing area as there are no indigenous people. Domsjo did not reply to this specific request.</p> <p>All suppliers are FSC and/or PEFC certified. Of note however that for certified material, only FSC 100% (i.e.: sourcing from FSC forest management certified FMU) demonstrates full compliance with this requirement. Materials arriving with FSC Mix or PEFC certification</p>

	<p>alone only demonstrate progress towards this commitment.</p> <p>After the audit the Planning Chief sent request to Domsjo for additional information. Domsjo clarified they respect the rights of Sami people and “The Sami people and their reindeer herding is very much protected by Swedish laws (the Forestry Act). The Swedish Forest Agency is the national authority in charge of forest-related issues. Every felling must be preceded by an application to the Forest Agency that has to be approved of. In that approval the Samis have been taken into consideration.” However, no specific commitment to FPIC was provided, therefore this indicator is graded as In Progress.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer’s commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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 producer made an analysis on the response to its Supplier Assessment Form that includes question on commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.</p> <p>Domsjo has sent their Human rights policy and Code of Conduct that is line with the producer commitment. Other suppliers refer to their compliance with FSC Core Labour Requirements and their implementation by them recently (new FSC requirement under FSC-STD-40-004 3-1). AustroCel stated they “are subject to Austrian law and EU human rights.”</p> <p>Because not all materials sourced are received with certification claims, this indicator is being graded as in progress.</p>
<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p>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>3 out of 4 suppliers are FSC CoC certified so they shall be in compliance as FSC CoC certified companies are required to have such a mechanism for their certified scope. AustroCel has PEFC CoC certificate which also requires a complaints mechanism and resolution. Caima submitted their grievance mechanism to the producer.</p> <p>Because not all materials sourced are received with certification claims, this indicator is being graded as in progress.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The auditor interviewed producer HR group manager and Quality Control Chief. The producer demonstrated its HR system and compliance with workers' rights. The company plans to get OHSAS and SA8000 certified according to the Planning Chief and Quality Control Chief. The company employs all its workers, they work in 3 shifts, the company transports them from the city to the facility that is relatively far away from the city of Gazinatep. There is a sufficient capacity developed and company structure to recognize and respect the rights of the workers. No breaches of ILO convention have been observed during the facility tour.</p> <p>As for suppliers all companies are FSC and/or PEFC certified so they shall be in compliance as FSC newly includes workers' rights into FSC CoC standard. No evidence of avoiding or continuing to source from a forest/wood supplier that has failed to acknowledge or resolve social conflicts and remedy past or current human rights violations. The auditor also checked the public sources on internet and there was no evidence of such an underperformance.</p> <p>Some suppliers refer to their compliance with FSC Core Labour Requirements and their implementation by them recently (new FSC requirement under FSC-STD-40-004 3-1).</p> <p>Moreover AustroCel, Domsjo, Cosmo and Caima have accepted the producer's Policy that includes a commitment to be in compliance with the requirements set from the ILO on worker's rights and basic principles in</p>

	<p>the workplace and to make the same demands on their suppliers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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: Supplier Assessment Form (under point 7) asks its suppliers to ensure they uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and require the same from their own suppliers. The producer has collected the answers from suppliers. AustroCel reports it is OHSAS 18001 certified, all others are FSC certified and thus this shall be incorporated into their procedures and implemented. It is however no clear if and how the suppliers ask their own suppliers to be uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p>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 taken strides towards ensuring that their suppliers demonstrate a recognition and respect for human rights. The auditor found no evidence of suppliers continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations.</p> <p>The Company and all suppliers are FSC or PEFC certified companies, which provide differing levels of compliance with the indicators listed above. Also, the company is FSC certified, which means that they have signed the Policy for Association, which declared that they are committed not to be involved in activities that violate human rights.</p>
<p>Summary: Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. All suppliers, except Domsjo, have signed declaration that includes a commitment to implement FPIC of indigenous people and local</p>	

communities. All suppliers are FSC or PEFC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. FSC certified suppliers (all but AustroCel) have implemented FSC Core Labour Requirements and have signed the FSC Policy of Association. The Company holds FSC certification.

8. Development of Innovative and Alternative Fiber

Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company is newly established and still not running on full capacity. According to the Planning Chief the producer conducts an analysis/research on using alternative fibre sources (recycled fibres are considered) and it shows potential for additional alternative feedstock. The producer plans to partner with Cosmo Speciality Fibre on next generation of fibre (based on recycled textile fibre). The company has approach Cosmo on strategic partnership on this. Sample of communication with the partner was observed by the auditor. The company also started negotiation with a partner that is backed by German innovation platform for investigating potential of hemp fibre.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company is brand new, the production started in October 2021. According to the interview with Planning Chief the producer plans to do first steps this year (2022). The research is already being conducted – see 8.1. above.</p>
<p>Summary: The company is newly established and still not running on full capacity. The producer conducted analysis/research on using alternative fibre sources (recycled fibres are considered) and it shows potential for additional alternative feedstock. The producer plans to partner with Cosmo Speciality Fibre on new generation of fibre (based on recycled textile fibre). The company also started negotiation with a partner for investigating potential of hemp fibre.</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**</p>	<p>Conformance with Indicator:</p> <p><input 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 started to produce only in October 2021. So far there is no track record of participating in events for support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. During the interviews with Planning Chief and the Member of the Board they demonstrated interest and willingness in participation in events of such kind and asked for recommendation of such kind and asked the producer is ready to discuss the possibilities with Canopy. The company Policy also includes producer commitment to “support ambitious international conservation targets and will be an advocate for Nature Needs Half initiative.” The producer however did not take concrete steps in this direction so far.</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 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: According to the Planning Chief the company was not prompted so far however there is a commitment to use 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. This commitment is part of the producer Policy. The company has so far offered their financial contribution for the CanopyStyle audit of Caima pulp mill by email and on the meeting in Kara Fibre in November 2021. Now the Planning Chief understands this was not needed and the company is interested to find a conservation or restoration project where it can engage.</p>

<p>9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<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 Kara Fiber representatives expressed their willingness to support financially and publicly project of this kind. During the interviews with Planning Chief and the Member of the Board they demonstrated interest and willingness to 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. The producer is ready to discuss the possibilities with Canopy.</p> <p>The company Policy also includes producer commitment to “support ambitious international conservation targets, and will be an advocate for Nature Needs Half initiative.” The producer however did not take concrete steps in this direction so far.</p>
<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**</p>	<p>Conformance with Indicator:</p> <p><input 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 Kara Fiber representatives expressed their readiness to 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. The producer is ready to discuss the possibilities with Canopy and partner with NGOs or government bodies and engage in programs. The company does not have history in this areas and thus would appreciate recommendations from Canopy. The producer expressed willingness to fund such a program in Turkey if possible.</p> <p>The company Policy also includes producer commitment to “support ambitious international conservation targets, and will be an advocate for Nature Needs Half initiative.” The producer however did not take concrete steps in this direction so far.</p>
<p>Summary: The company started to produce only in October 2021. So far there is no track record of participating in events for support collaborative and visionary system solutions that aim protect</p>	

remaining ancient and endangered forests. The company Policy also includes producer commitment to “support ambitious international conservation targets, and will be an advocate for Nature Needs Half initiative.”. The producer demonstrated interest and willingness to 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. The producer is ready to discuss the possibilities with Canopy as well as it concerns specific programs to increase the endangered species population and the maintenance of their habitat through time and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.

10. Responsible forest management

Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The producer’s Policy mentions the company preferred FSC certified intake and the company made the commitment to increase its intake by 10% every year with the aim to have all their intake FSC certified by 2026. The company presented its certified volumes stats and they show the company was sourcing 7,89% FSC Certified and (FSC Mix Credit) 19,96% PEFC certified in 2021 (production started in October 2021).</p>
<p>Summary: The producer’s Policy states the company prefers FSC certified intake and the company made commitment to increase its intake by 10% every year with the aim to have all their intake FSC certified by 2026.</p>	

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

Indicators	Findings
<p>11.1 The MMCF producer has procedures to evaluate their suppliers’ performance in reducing GHG.</p>	<p>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 producer has asked their suppliers about their performance in reducing GHG as part of</p>

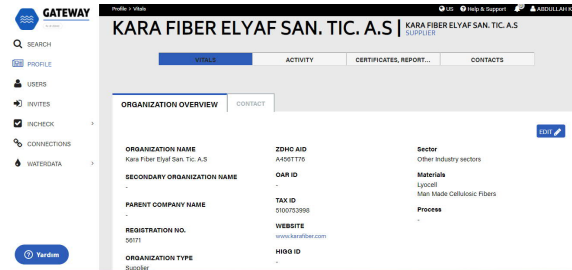
	<p>its effort to collect information from suppliers using the Supplier Assessment Template. The producer has developed template FR-SUR-003 where the suppliers shall fill in information about their GHG emissions, environmental policy and targets and give an overview of their GHG emissions for all 3 scopes. The suppliers answered and some sent their sustainability reports and independent GHG emissions evaluations. E.g. Caima has sent their GHG emission calculation report where it states its commitments and specific targets. Domsjo and AustroCel also submitted report on their GHG emissions. The producer has developed procedure PR-SUR-005 Supplier Performance Procedure for Reducing GHG that specifies two steps:</p> <ul style="list-style-type: none"> - Collecting GHG Reduction Performance Data and - Supplier Performance Evaluation <p>The interview with the producer representative showed the producer is not clear how exactly they can evaluate the suppliers performance in reducing GHG. The Planning Chief explained they will be looking for some benchmarking and comparing and have this done by January 2022 which is in line with the procedure.</p> <p>The producer itself has just undergo CF calculation for scope 1 emissions (legislation requirement in Turkey). Each January the company plans to do the evaluation. The company has joined a program of Gaziantep industrial area cooperation cluster on calculating and reducing GHG emission.</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</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>Document check showed the Supplier Assessment Template, that is used for collection of information from the suppliers on annual bases, has the question/commitment incorporated. The company showed how the responses were evaluated. According to the answers from suppliers received none of their suppliers reported they have been 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</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>

hydrology. **	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: According to the document review the commitment is incorporated into the company Policy. All suppliers have accepted it in written. According to the answers from suppliers received none of their suppliers reported they operated in intact forest landscapes or on drained tropical peatlands. According to ForestMapper and information from suppliers none of them sourced from tropical forests and peatlands.
Summary: The producer has a system for collecting information on reduction of GHG emissions from its suppliers. It has already collected the data. The evaluation phase, planned by the producer, is yet to be done and the company needs to find a system for emission reduction data evaluation. The producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes. The producer has also system that would allow them to give 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. According to ForestMapper and information from suppliers none of them sourced from tropical forests and peatlands.	

12. Pollution Prevention	
Indicators	Findings
12.1 *This verification process <u>will not</u> verify at first hand the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The CanopyStyle audit will not report on this indicator. As of 2020, the Hot Button report addresses chemical management, deferring to ZDHC for evaluation. The producer mentioned the company has the newest and cleanest viscose production technology (Lyocell). 99,7% of the solvent (NMMO) which is used in the production process is recovered. The company mentions: "all the other dangerous gases are eliminated for avoiding air pollution by the exclusive scrubber units. We have two kind of scrubber. One of them is HCL Scrubber, second one is Air scrubber. All the emissions are under the limit of Turkey

Regulation. Some of them are nearly zero.” The company gave the working principle for its scrubber units.

The producer registered on the ZDHC platform. They are in contact to Intertek Turkey (qualified laboratory for ZDHC waste water test), so they are pending to upload their water data in ZDHC supplier platform. In conformance with the ZDHC MMCF Guidelines.



EU-BAT ASSESSMENT

The producer reps. also mentioned that at the request of the H&M sustainability team, they prepared for EU-BAT verification, they were in contact with Sustainable Textile Solutions (Bluewin Academy-United Kingdom).

The assessment focused on lyocell production and purely its environmental impacts produce in dedicated installation. This process is for assessment Lyocell KPI's with respect to possible similar EU BAT (Viscose fibre) associated resource and consumption levels and refers to end-of-pipe technique whose concentration related performance can be found in CWW (Common waste gas and wastewater treatment) BREF.

Summary: Not applicable.

** Indicates Critical Indicators

Appendix B: RECOMMENDATIONS FOR IMPROVEMENT

The CanopyStyle Initiative has developed these recommendations to provide direction on how companies should address some of the main non-conformities found in this audit report.

These recommendations have been developed by Canopy, presented to the company for feedback, and are provided as an appendix in this audit report for use by the company and auditors, starting immediately after finalization of the audit report.



Recommendations for Kara Fibers for continuous improvement

January 2022

Canopy applauds Kara Fibres for embarking on a CanopyStyle audit as soon as its facility opened. The report cannot yet confirm low risk sourcing from Ancient and Endangered Forests, as one supplier requires verification. However, the company has demonstrated that it has procedures in place to monitor its policy commitments, and has done due diligence to assess the risk of its suppliers.

The CanopyStyle audit is a learning opportunity, and in the spirit of continuous improvement, additional actions can be taken for Kara Fibres to fully implement its policy. Based on the review of the audit report, Canopy recommends the following next steps:

1. Continue to engage with suppliers on their sourcing, and update the risk assessment after the supplier verification audit is complete. If risk is identified in that process, take action to mitigate and/or eliminate it.
2. Request plantation establishment dates from suppliers, to ensure no sourcing from forests converted after 1994.
3. Continue to implement the company's FSC preference by continuing to increase the volumes of certified fibre used, and request that its Austrian supplier re-gain its FSC certificate (currently it only has PEFC).
4. With support from Canopy, play an active role in advocating for the conservation of Ancient and Endangered Forests in public fora and within the supply chain.
5. Set ambitious targets and timelines for the piloting of Next Generation solutions to displace forest fibres.
6. Continue to use best-in-class processing technologies. Work with experts in the field to implement pollution control technologies to limit their impact. Implement the new ZDHC MMCF guidelines¹ for chemical management, which give suppliers unified criteria for measuring output indicators like wastewater, sludge, air emissions and other process-related parameters.



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

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will be essential to ensure that Kara Fibres continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

Once again, we commend Kara Fibres for proactively reaching out to Canopy and initiating an audit as soon as its facility opened. We look forward to working with you to address any outstanding issues regarding your supply chain.