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## INTRODUCTION

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

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

The purpose of this report is to document performance of *Jilin Chemical Fiber Stock CO.,LTD.* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 2020 version<sup>1</sup>) and related guidance documents<sup>2</sup> developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>3</sup> and the over 320 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

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

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

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

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

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

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

# 1. GENERAL DESCRIPTION

## 1.1 Company overview

Jilin Chemical Fiber Stock Co., Ltd. is a holding subsidiary of Jilin Chemical Fiber Stock Co., Ltd. The company was founded in 1960 and put into operation on August 1, 1964.

The company is a listed company specializing in the production of viscose fibre. Its main products are viscose filament and viscose staple yarn. The designed production capacity for \ for filament fibre is 80,000 tons and for the staple fibre is 125,000 tons. The company is one of the top ten enterprises in China's chemical fibre industry.

From 1996 to 2021, the company has successively reconstructed and put into production on several technical transformation projects on viscose filament with different annual output capacity. The company's products are mainly exported to more than 20 countries including Japan, South Korea, Italy, Turkey, Pakistan, and India

The company holds a number of third-party certificates, including:

- ISO9001:2015 quality management system
- FSC Chain of Custody
- ISO14001:2015 Environment Management System
- ISO45001: 2018 Occupational Health and Safety Management System
- ISO50001:2018 Energy management System
- STANDARD 100 by OEKO-TEX® testing and certification system.
- SA 8000:2014 Social Accountability System
- Recycled Claim Standard 2.0 (RCS 2.0)
- Green Leaf Certification

The company's "Baishan" brand trademark was rated as a well-known trademark in China. In 2007, the "Baishan" viscose filament won the honour of "China Famous Brand". The company has been rated as "National Customer Satisfaction Enterprise", "National Advanced Enterprise of Quality and Efficiency", "Top 500 Chinese Enterprises Informatization" and many other honours.

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

Jilin Chemical Fiber Stock Co., Ltd purchases raw material, manufactures and sales of MMCF. The headquarters is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mil.

Hebei Jigao Chemical Fiber Co. is a subsidiary of Jilin Chemical Fiber Stock Co. group. Located in Hebei province, it produces bamboo viscose fibre. It is not covered under the scope of this audit.

## 1.3 Company sourcing policy

The Company updated and published their [Fibre Procurement Policy for Protecting Forests](#) being effective on 07 July 2021 and committed to:

- Conserve Ancient and Endangered Forests and intact forest landscapes.
- Recognize, respect and uphold human rights of communities
- Develop innovative and alternative fibre programme

- Advocate for conservation solutions
- Promote forest certification
- Transparency, traceability and verification
- Reduce greenhouse gas footprint
- Prevent pollutions
- Enhance communication.

Note: since the responsible personnel from the purchasing department changed from Xiao Minghui to Wang Yuanxu, the company updated the Policy in July 2021.

## 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:	Approximately 40% Dissolving pulp, 55% cotton linter and 5% bamboo pulp for Viscose filament, and 65% dissolving pulp, 5% cotton linter and 30% bamboo pulp for Staple Fiber.	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No  Comments: The Company has done overlays for some suppliers but did not provide map overlay with Ancient & Endangered Forests for all suppliers.
Mill Capacity:	Viscose Rayon Filament Yarn: 55,898t; Viscose Staple Fiber: 46,800t	
Primary Activity:		
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: 0	Permanent female: 0
	Contract male: 3,341	Contract female: 1,331
	TOTAL: 4,672	

Sites included in evaluation	Location
Jilin Chemical Fiber Stock Co., Ltd. Corporate office	No.216, Kunlun Street, ETD Zone, Jilin province, China
Viscose mill (start production in 1964)	No.216, Kunlun Street, ETD Zone, Jilin province, China



### 3.2 Audit Overview

This is the 2nd audit which is composed of the corporate desktop audit and up to 2 short notice audits. The corporate desktop audit also contains one video conference/interview which took place on 28th of July 2021.

### 3.3 Description of Overall Audit Process

Preferred by Nature (NEPCon) auditor shared an audit plan with the Company before the onsite visit. The company profile, supplier list and system documents were sent to the auditor for review before the audit.

On 28 July 2021, the audit started with an opening meeting **via Tencent meeting application remotely** with the presence of management representative and the key staff from relevant departments. The objective and scope of the audit, agenda, conflict of interest (COI) 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 action plan and any updates in regard of practises with Canopy policy commitment, Company structure, Canopy training, purchase policy, supplier management, research of alternative Fibre, environment protection, forest protection, etc.

After interview with management, related documents were reviewed, such as Wood Fibre Sourcing Policy and Operational Procedures, Annual Volume Summary Data, purchase documents (contracts, invoices, packing list, bill of lading etc.), Risk Assessment Report, Training Plan and records, communication with the suppliers, etc.

## 4. EVALUATION RESULT

### 4.1 Evaluation Conclusion

The company has made significant attempts to collect more information from suppliers to evaluate risk and confirmed low risk for all seven suppliers.

#### Positive Findings:

The Company has developed and has been implementing the sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The operating manual was developed by the HQ and shared with the mill.

Since the 1<sup>st</sup> audit in 2019, the Company provided several training sessions to the staff at different levels. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

The purchase department has collected the information from all seven suppliers and conducted risk assessment. The pulp suppliers list was made publicly on the Company's official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group. Three out of the seven suppliers disclosed forest level info with maps.

The Canopy sourcing policy has been communicated to the suppliers. The requirements to implement the policy have been included in the contract with all suppliers.

The company has developed an action plan to increase FSC purchase – increase the proportion of FSC certified inputs.

The Company is researching new technology to create world's first (as declared by the Company) industrial scale viscose filament yarn made from 50-100% chemically recycled textiles and virgin pulp. Note: 50-100% recycled textiles are the ideal goal of the final product by adding up to 50-100% recycled pulp. Right now, the actual input of recycled pulp is 5%.

Also, the Company is trying to reduce the GHG emission and save the water & energy by technology innovation.

The sustainable development committee is in charge of the carbon footprint monitoring and GHG reduction for the company. Effective efforts have been conducted in this regard, for instance, high-quality coal that meets national standards will be given priorities; seeking alternative energy sources, such as using electricity to replace steam. Every month there are statistical analysis tables at all levels of workshops all the way to the group headquarters. Prompt correction and/or improvement will be executed when performance is not satisfactory.

**Areas for Improvement:**

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, and during this audit some suppliers still didn't disclose the origins' information, but still at the dissolving pulp location. Therefore, origin of material for these suppliers is only known at a country level, creating a broad sourcing area with potential overlap with ancient and endangered forests. Note: a special note provided from the company indicating that the pulp mill had been temporarily shut down civil unrest in South Africa. The company could not communicate with the mill during this time. Therefore, during this audit, all evidence for Sappi is provided by their trader to China.

Canopy shared an advice note (effective 1 June 2019) that introduces a new tool (Dissolving Pulp Mill Classification) to be used in addition to the Forest Mapper when conducting risk assessments for sourcing from ancient and endangered forests. The new tool outlines commonly used dissolving pulp mills and a determination of risk considering priority ancient and endangered forests. Below please find the results comparison between the company internal risk assessment conducted in December 2020 and the Canopy Dissolving Pulp Classification Tool:

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
AustoCel Hallein	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.
Borregaard	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.
Caima	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.
Domsjö	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.
Lenzing Paskov	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.



Sappi Saiccor	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.
Södra	Low	No sourcing issues identified based on current information and/or CanopyStyle audit.
Fujian Qingshan Paper Co.,Ltd	Low	This is bamboo pulp only, and it is FSC 100% therefore risk is considered mitigated.

The company conducted the assessment based on the evidence collected from the suppliers as well as the Dissolving Pulp Classification Tool and ForestMapper.

The Company has made great efforts to conduct a risk assessment on sourcing from ancient and endangered sources, and more assessment is needed for controversial sources.

The company required all suppliers to disclose the plantation establishment information. Some suppliers confirmed they don't source from plantations. Some provided their wood fibre policy on plantation. By checking the pulp purchasing documents, there are non-certified pulp purchased from the company.

## 4.2 Summary of findings

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

\*\* Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy **	
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	

	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	
	1.7 The MMCF producer has developed and is implementing a system to monitor supplier conformance with the Policy. **	
	1.8 The MMCF producer has put in place a grievance procedure.	
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable

<p>from ancient and endangered forests and other controversial sources have been eliminated</p>	<p>Policy, such as “ancient &amp; endangered forests”, “intact forest”, “natural forest”, “endangered species”, “controversial sources”, “high conservation value”, “high carbon area”, “peatlands”, etc. that are consistent with this document and the forest sourcing policy template. **</p>	
	<p>4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **</p>	
	<p>4.3 Any raw materials in the MMCF producer’s supply chain originating from ancient and endangered forests or other controversial sources and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **</p>	
	<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	
	<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	
<p>5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them</p>	<p>5.1 All MMCF producers’ suppliers are identified and the forest of origin is known. **</p>	
	<p>5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	
	<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	
<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</p>	<p>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. **</p>	
	<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed,</p>	

	based on best available science, by a credible third party, and made public. **	
	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. **	
	6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	
	6.5 The MMCF producer 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. **	

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

7.1 The MMCF producer has developed and requires its suppliers to adopt a similar



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

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

Reporting period: 2020.1.1 – 2021.6.30

Category	Explanation	Volume (tons)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COCilled		

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

## 1. Evaluation of Site: Corporate HQ

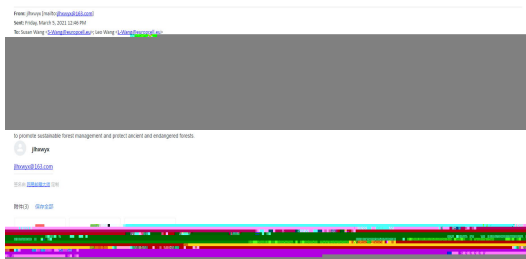
<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Li Kui, Vice GM & head of Sustainable development committee
<b>Auditor(s):</b>	Peiyong Zhou
<b>People Interviewed, Titles:</b>	Li Kui, Vice GM & head of Sustainable development committee Kong Yuying, General Manager Assistant Sun He, Director of Sales Dept. Wang Yuanxu, Purchase Dept. Jiao Chu, Logistic Dept. Zhang Xiaoming, Deputy Director of Production & Environmental Protection Dept. Yuan Yuyao, Deputy Director of Production & Environmental Protection Dept. Yu Shujuan, Comprehensive Management Office
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b> Jilin Chemical Fiber Stock Co., Ltd. Corporate Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill.	

## 2. Standard Checklist

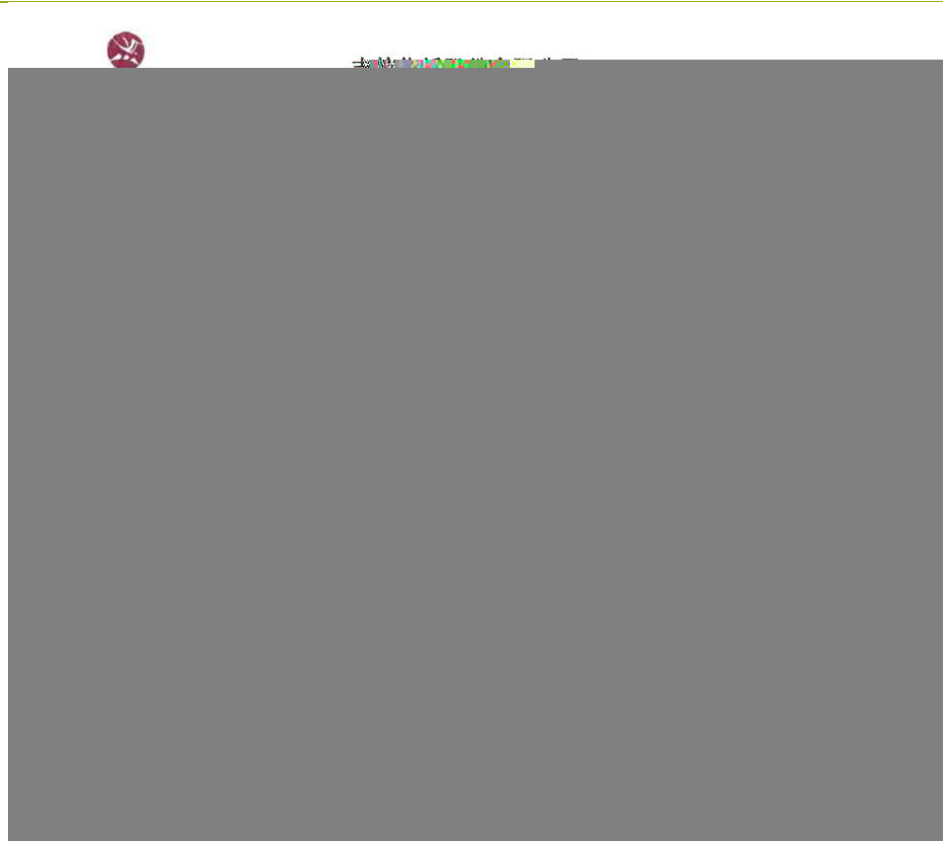
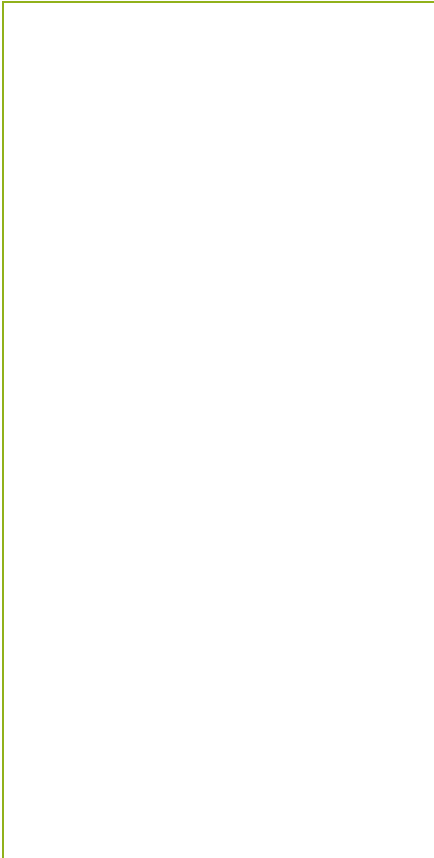
1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The Company made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective on 7<sup>th</sup> July 2021). The Fibre Procurement Policy was updated and posted on the website:  <a href="http://www.jlhxjt.com/Detail/624.html">http://www.jlhxjt.com/Detail/624.html</a>            The interview of the deputy general manager and the manager of Sustainability department confirmed senior management team were well informed the definition of ancient and endangered forests and other controversial sources and were fully committed to implement Canopy purchase policy.</p>

	<p>Note: since the responsible personnel from the purchasing department changed from Xiao Minghui to Wang Yuanxu, the company updated the Policy in July 2021.</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has developed the operating manual for the implementation of Canopy sourcing policy, where the suppliers are subjected to the monitoring and evaluation from the company. According to the manual, the evaluation and monitoring are conducted through reviewing formal documents submitted from the suppliers as well as on-site inspection. Due to the COVID-19 pandemic, on-site inspections have not been conducted to date.</p> <p>The required formal documents shall include evidence on raw materials, certification status of the raw materials, forests of origin' info, documentary evidence on plantation development, commitment from the suppliers confirm that they don't purchase from ancient and endangered as well as controversial areas for raw materials, implementation on reducing the GHG, procedures on compliance with basic principles of ILO's requirements on worker's rights and workplace, etc.</p> <p>The company collects the evidence submitted from the suppliers and conduct the risk assessment on the supply chains.</p> <p>The company has asked for acknowledgement with the sourcing policy from the suppliers. The suppliers are required to sign the supply agreement of dissolving pulp stipulating the company's sourcing policy must be respected. The company also states that relevant requirement on responsible sourcing shall be added to the purchase contract with the suppliers.</p> <p>For any non-compliance that are found with the suppliers, the company states they will first help them change the production behavior. If the fibre is found to come from policy-prohibited sources, the company will re-evaluate whether to continue to cooperate with them.</p> <p>The SOP is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The deputy manager of the company, Mr. Li Kui, (also the manager of Sustainable development committee) has the overall responsibility for sourcing policy implementation.</p>



	<p>The purchasing department is assigned and responsible for the implementation of the policy. The responsibility of implementing the policy is included in Company structure and responsibility division.</p> <p>Other departments are also involved, such as Production, Energy, Safety, Comprehensive Management, Logistics, admin office, etc.</p>									
<p>1.4 The MMCF producer has developed capacity and Company structure to implement the Policy.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company's organizational structure for implementation of policy has been shared with the auditor.</p> <p>The Sustainable development committee was established in November 2019, led by the vice GM with the staff members from Purchase, Sales, Logistic, production, EHS, Equipment &amp; Energy, Comprehensive Management.</p> <p>Interviews found all relevant staff were aware of Canopy policy and their responsibility.</p>									
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company notified all suppliers the commitments requirements via emails. Email records between February and March 2021 were provided.</p> <p>Example: email to AustroCell Hallein:</p>  <p>The following chart gives an overview on the signing and confirmation received from the suppliers in regard of their commitment to the fibre sourcing policy as well as the supply agreement of dissolving pulp.</p> <table border="1" data-bbox="638 1713 1584 2027"> <thead> <tr> <th data-bbox="638 1713 813 1848"></th> <th data-bbox="813 1713 1284 1848">Commitment letter in regard of dissolving pulp procurement policy</th> <th data-bbox="1284 1713 1584 1848">Supply agreement of dissolving pulp which includes Canopy's requirement</th> </tr> </thead> <tbody> <tr> <td data-bbox="638 1848 813 1926">AustroCell Hallein</td> <td data-bbox="813 1848 1284 1926">Yes directly signed with AustroCel Hallein</td> <td data-bbox="1284 1848 1584 1926">Yes directly signed with AustroCel Hallein</td> </tr> <tr> <td data-bbox="638 1926 813 2027">Boregaard</td> <td data-bbox="813 1926 1284 2027">Didn't sign the commitment letter , but confirmed received the policy &amp; supply agreement of dissolving pulp</td> <td data-bbox="1284 1926 1584 2027">Yes, directly signed with Boregaard.</td> </tr> </tbody> </table>		Commitment letter in regard of dissolving pulp procurement policy	Supply agreement of dissolving pulp which includes Canopy's requirement	AustroCell Hallein	Yes directly signed with AustroCel Hallein	Yes directly signed with AustroCel Hallein	Boregaard	Didn't sign the commitment letter , but confirmed received the policy & supply agreement of dissolving pulp	Yes, directly signed with Boregaard.
	Commitment letter in regard of dissolving pulp procurement policy	Supply agreement of dissolving pulp which includes Canopy's requirement								
AustroCell Hallein	Yes directly signed with AustroCel Hallein	Yes directly signed with AustroCel Hallein								
Boregaard	Didn't sign the commitment letter , but confirmed received the policy & supply agreement of dissolving pulp	Yes, directly signed with Boregaard.								

	from Jilin chemical. Boregaard confirmed that they agree to the compliance of the requirement on the fiber policy and supply agreement of the dissolving pulp. Borregaard also confirmed that they are using their own Procurement policy which is in line with the document that Jilin has sent to them	
Caima	Yes, the commitment letter has both Caima and the trader's stamp.	Signed with the trader, and Caima's stamp is shown on the file.
Domsjo	Yes, the commitment letter has both Domsjo and the trader's stamp.	Signed with the trader, and Domsjo's stamp is shown on the file.
Lenzing	signed with trader	Yes directly signed with Lenzing Paskov
Sappi	Directly signed with Sappi	Directly signed with Sappi
Sodra	Yes, the commitment letter has both Sodra and the trader's stamp.	Signed with the trader, and Sodra's stamp is shown on the file.
Fujian Qingshan Paper Co.,Ltd	Yes directly signed with Fujian Qingshan	Yes directly signed with Fujian Qingshan
<p>Example on sourcing policy communication with the supplier:</p>		



1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.\*\*

**Conformance with Indicator:**

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

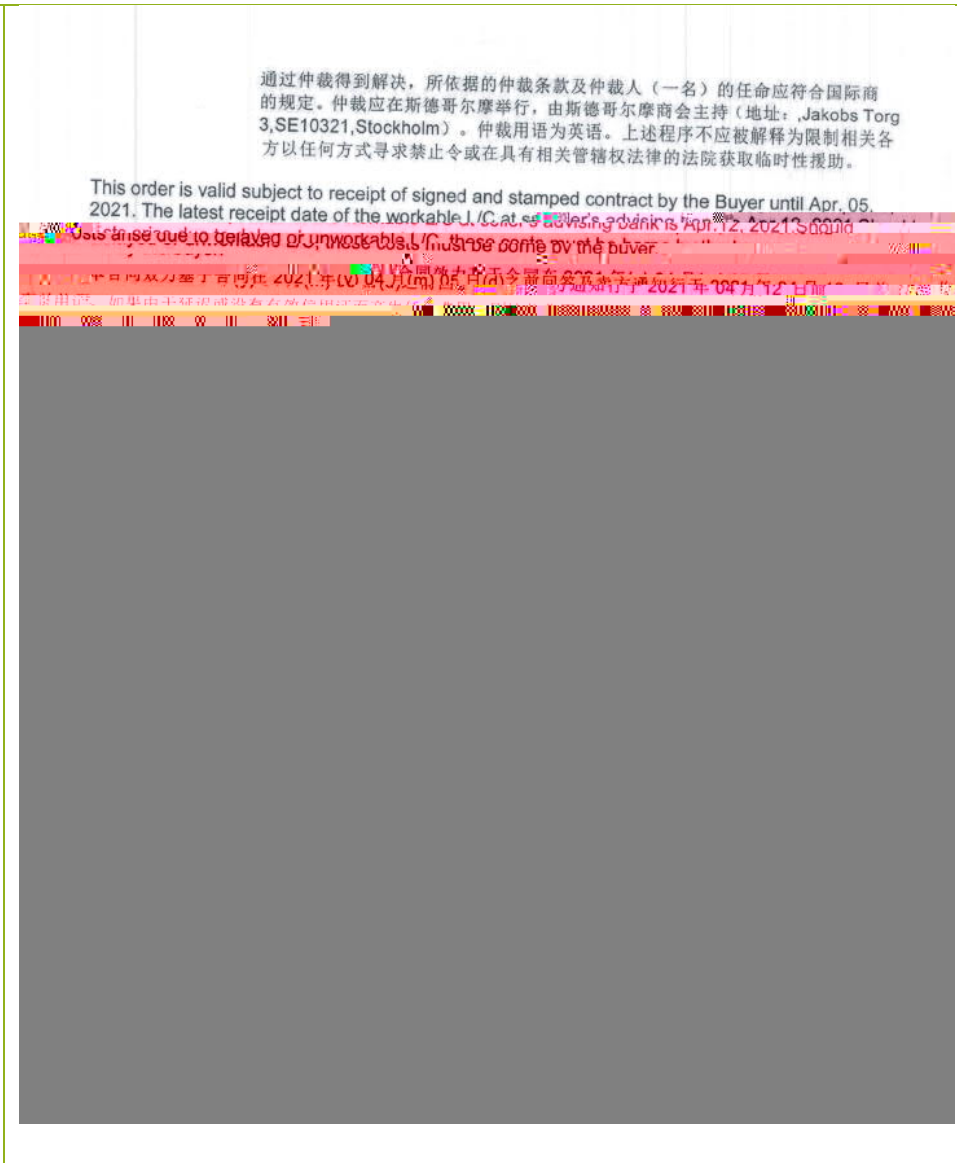
**Description of the finding:**

The company provided signed and dated contracts from suppliers. Below is an overview:

Contracts included requirements to implement the Policy except for Sappi and Fujian Qingshan:

	Contract
AustroCel Hallein	Contract is directly signed with AustroCel Hallein
Boregaard	Contract is directly signed with Boregaard
Caima	Contract is signed with trader
Domsjo	Contract is signed with trader
Lenzing	Contract is signed with trader
Sappi	Requirements to implement the Canopy's fiber policy are not included.
Sodra	Contract is signed with trader
Fujian Qingshan	Requirements to implement the Canopy's fiber policy are not included.

Example of a contract where relevant required is added:



1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. \*\*

**Conformance with Indicator:**

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

**Description of the finding:**

The company developed the supplier performance monitoring procedure compile in the management operation manual for the suppliers, including monitoring frequency, monitoring method (documents review and onsite visit if necessary, the evidences to be checked, etc).

Based on the procedure, the supplier must comply with Canopy requirement and with the low risk. The performance of active suppliers has been being monitored annually.

The identified non-compliance will be announced to the suppliers and must be addressed within 6 months.

In December 2020, the company conducted the evaluation on the following indicators: forest of origin's risks, sustainable development performance,

	<p>human rights, corporate social responsibility, performance on GHG emission, tropical peatlands and IFLs based on the documents collected from the suppliers as well as take the Canopy Dissolving Pulp Classification Tool into consideration. The monitoring results for all suppliers is provided to the auditor.</p> <p>The monitoring results are concluded based on the documents collected from the suppliers as well as take the Canopy Dissolving Pulp Classification Tool into consideration.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The grievance procedure has been compiled into the management operation manual, which is provided to the auditor. According to the grievance procedure, any complaint/ grievance can be submitted to the company via telephone, email or regular mail. Once the complaint/ grievance are received, responsible personnel (designated from the Purchasing department) will take care of the complaint/ grievance and report to the management team. The management team will provide feedback/solution within one week. The performance of the solution will also be provided, in addition.</p> <p>So far, no grievance received yet.</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><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Based on the supplier performance monitoring procedure compile in the SOP, the supplier must comply with Canopy requirement and with the low risk. The performance of active suppliers will be monitored annually.</p> <p>The identified non-compliance will be announced to the suppliers and must be address within 6 months.</p> <p>During this audit, no complaints have been received.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>

	<p>Since the 1<sup>st</sup> audit in 2019, the Company organized several trainings on the policy and Canopy requirements before the audit. Training records were provided for auditor review, selected samples are:</p> <ul style="list-style-type: none"> <li>- 08:30-10:00 on March-19-2020, Procurement, Sales, Logistics, Comprehensive Management Office, Production, EHS and Energy dept.</li> <li>- 08:30-10:30 on 26-May-2020, same departments as above</li> <li>- 08:30-10:30 on 03-Aug-2020, same departments as above</li> <li>- 08:30-11:00 on 09-Sept-2020, same departments as above</li> <li>- 08:30-11:00 on 09-Nov-2020, same departments as above</li> </ul> <p>The interview with the representative from the production department confirms that they are aware of the policy and are implementing it.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          Yes, the management operational manual developed by the group headquarters was shared with the viscose mill.          Interview with the key managers confirmed that they are aware of and implementing the management operational manual</p>
<p><b>Summary:</b>          The Company has developed a fibre sourcing policy with supporting procedures for implementation of Canopy requirements and conducted training. The sourcing policy is made available on the company's website and communicated to the dissolving pulp suppliers. The sustainable development committee was established to ensure the implementation.          The suppliers signed and confirmed the commitment to the implementation of the Policy in different forms either directly signed the commitment letter/ supply agreement of dissolving pulp or signed with the trader. Contract samples are provided to the auditor with added requirement on the implementation of the policy.          The company conducted evaluation and provided the monitoring result on the compliance performance.</p>	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
<p>2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          The company provided its pulp suppliers management operational manual which aims at avoiding purchase raw materials from HCV, HCS forest, ancient and endangered forest or endangered species habitat forest, any controversial sources, as well as requires that all suppliers respect the indigenous people and FPIC as well as the worker's rights.          The company conducted the evaluation on the following indicators: forest of origin's risks,</p>

sustainable development performance, human rights, corporate social responsibility, performance on GHG emission, tropical peatlands and IFLs based on the documents collected from the suppliers as well as take the Canopy Dissolving Pulp Classification Tool

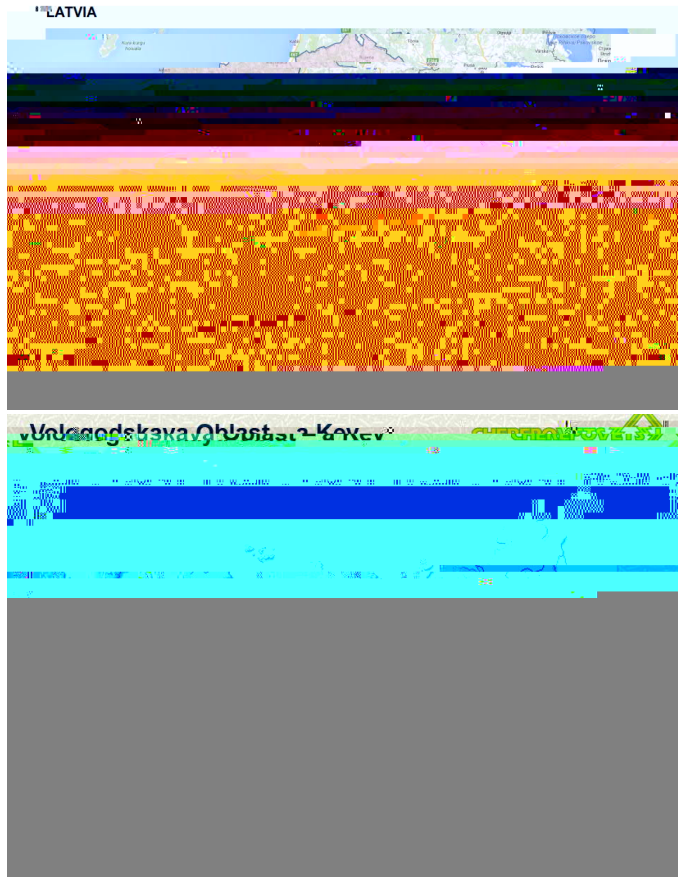


**Sodra:**

FSIONIA (whole product),







**Fujian Qingshan Paper** didn't provide the forest map, but came up with a statement confirming that all bamboo material sourcing from certified bamboo forests. Fujian Qingshan Paper owns both a FSC FM/COC certificate (**SGS-FM/COC-012002**) as a FMU and as a FSC COC certificate (**SGSHK-COC-330915**) as a secondary processor. According to the FSC FM/COC public report for Fujian Qingshan paper, it shows in total, the FMU has 11172.5 ha of forest and the composition of the certified forest is 1174.8 ha of high

2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.

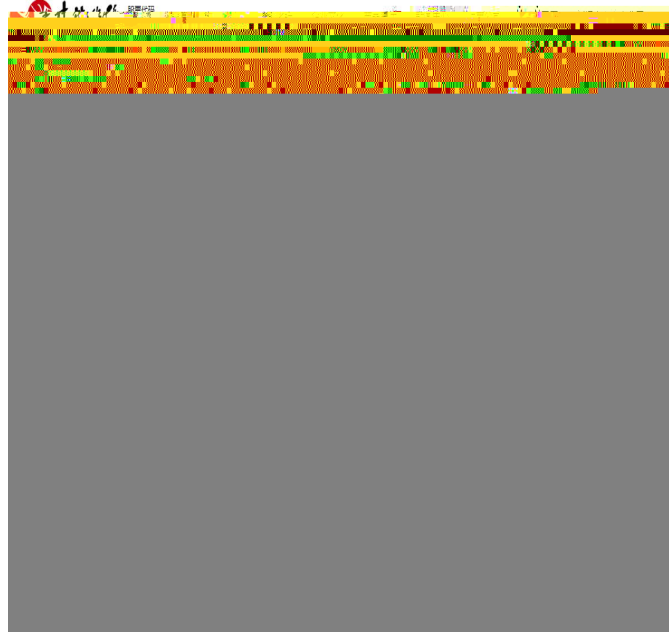
**Conformance with Indicator:**

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

**Description of the finding:**

The Company has published its updated suppliers on its website on June 01, 2021:

<http://www.jlhxt.com/Detail/623.html>



**Summary:**

The company conducted the assessment based on the evidence collected from the suppliers as well as the Dissolving Pulp Classification Tool.

The company provided the risk assessment conclusion for 2020-2021 to the auditor. However, no evidence showed Forest Mapper is used for assessment for all suppliers.

The company provided suppliers list. The dissolving pulp mills on the supply chain are identified. However, not all suppliers provide the full and exact forest or plantation of origin.

Additional criteria were added in the supplier's management operation manual to complete their risk assessment, including legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.

The Company has published its updated suppliers on its website on June 01, 2021

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

Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate.**</p>	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Not Applicable</li> <li><input type="checkbox"/> Commitment Met</li> <li><input checked="" type="checkbox"/> Commitment in Progress</li> <li><input type="checkbox"/> Commitment Not Met</li> <li><input type="checkbox"/> Insufficient Information Available</li> </ul>

**Description of the finding:**

**AustroCel Hallein** stated via email that they are not purchasing wood originating from plantations. AustroCel sources from PEFC managed forest from Austria or Bavaria (South Germany) regions and they provide 100% PEFC certified pulp. However, PEFC certification at the forest level or in the supply chain does not preclude material originating from plantations.

**Borregaard** provided a raw material statement in which they stated that they do not buy plantation wood, and that all wood raw inputs originate from cultivated natural forests. However, the Borregaard supplies FSC Controlled Wood pulp, not FSC-certified pulp. FSC controlled wood does not necessarily exclude material originating from plantations established after 1994.

**Caima** via email stated that the *Eucalyptus globulus* sourced by them is from established plantations in Portugal planted in early 1960, however, no supporting evidence was provided. Caima supplies non-certified pulp.

**Domsjo** provided their fibre sourcing policy, where they state that Domsjo does not purchase bio raw materials from wood harvested from plantations established after 1994 through conversion of natural forests or converted to non-forest use. They provided both FSC certified (FSC Mix Credit) and non-certified pulp. For FSC Mix Credit pulp, some portion of the supplier's procurement would originate from FSC-certified forests, which meet this requirement. However, some portion would originate

**Lenzing Paskov** provided a statement on raw material sourcing for the pulp production indicating that it does not derive material from any plantations or peatlands. Pulp purchased by Lenzing mostly comes from wood grown in the semi-natural forests of Scandinavia, the Baltic States, South Africa, and the USA. No evidence was provided regarding plantation date.

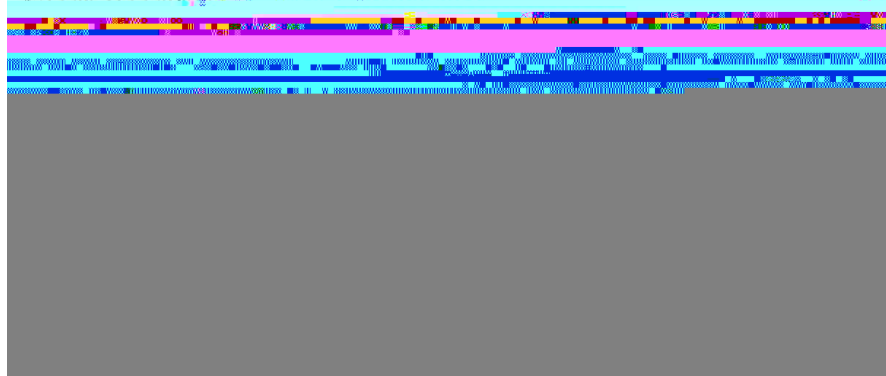
**Sappi** provided their Woodfibre Procurement Policy in which they stated that they don't source wood coming from commercial timber plantations which have been converted from natural forests post 1994. They provided FSC Mix70% certified pulp. For FSC Mix 70% pulp, some portion of the

sappi

Inspired by life



Group Woodfibre Procurement Policy



**Sodra** provided their raw material procurement policy where they stated that Sodra controls that wood does not originate from natural forests that have been harvested to established plantations or non-forest use. No further information or evidence was provided, and material does not carry any certification.

Södra controls that wood not originate from the following sources:



**Fujian Qingshan Paper** provided a statement confirming that all bamboo material sourcing originates from the natural bamboo forest from Sanming and Nanping city in Fujian Province, China and not overlapping with natural reserves. They provided FSC 100% certified pulp, which can be considered meeting this indicator's requirement.

By checking the pulp purchasing documents, it's seen that the pulp sourced from Caima and Sodra are not certified. The majority of the pulp sourced from Domsjo is also non-certified, and a small part left is FSC Mix Credit claimed pulp. Pulp sourced from AustroCel Hallein and Lenzing Paskov are 100% PEFC Certified. Pulp sourced from Boregaard is made of FSC Controlled Wood material. Pulp sourced from Sappi is FSC Mix 70% claimed. Bamboo pulp sourced from Fujian Qingshan Paper is all FSC 100%, the only forest certification which guarantees no conversion after 1994 is FSC 100%. This indicator is graded as "in progress" as not all suppliers could demonstrate that material does not originate from plantations.

**Summary:**

The company required all suppliers to disclose the plantation establishment information. Some suppliers stated they don't source from plantations, via wood fibre procurement policies or other similar statements. By verifying the pulp purchasing documents, it's seen that the pulp sourced from Caima and Sodra are not certified. The majority of the pulp sourced from Domsjo is also non-certified, and a small part left is FSC Mix Credit claimed pulp. Pulp sourced from AustroCel Hallein and Lenzing Paskov are 100% PEFC Certified. Pulp sourced from Boregaard is made of FSC Controlled Wood material. Pulp sourced from Sappi is FSC Mix 70% claimed. Bamboo pulp sourced from Fujian Qingshan Paper is all FSC 100%. However, the only forest certification which guarantees no conversion to plantation after 1994 is FSC 100%. This indicator is graded as "in progress" as not all suppliers could demonstrate that material does not originate





Lenzing:



**Confirmation**

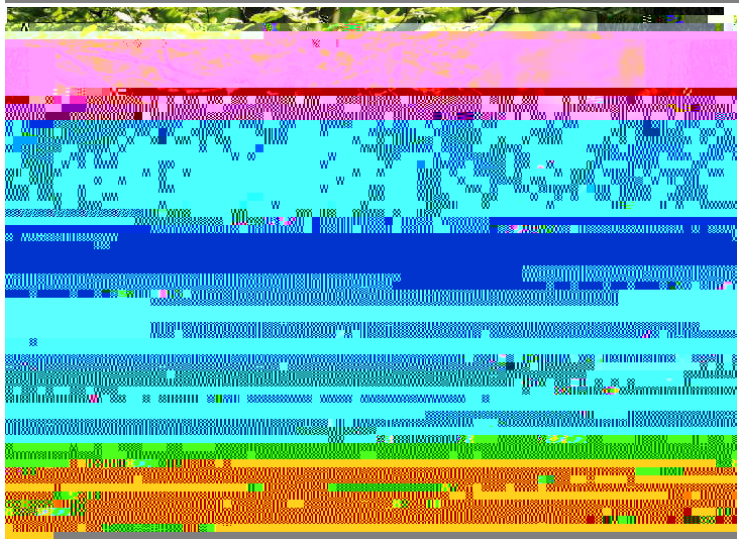
This is to confirm that  
the wood species Spruce (picea abies) used for the wood pulp production in  
**Lenzing Biocel Paskov a.s.**  
does not derive from any plantations or peatlands.





## Confirmation

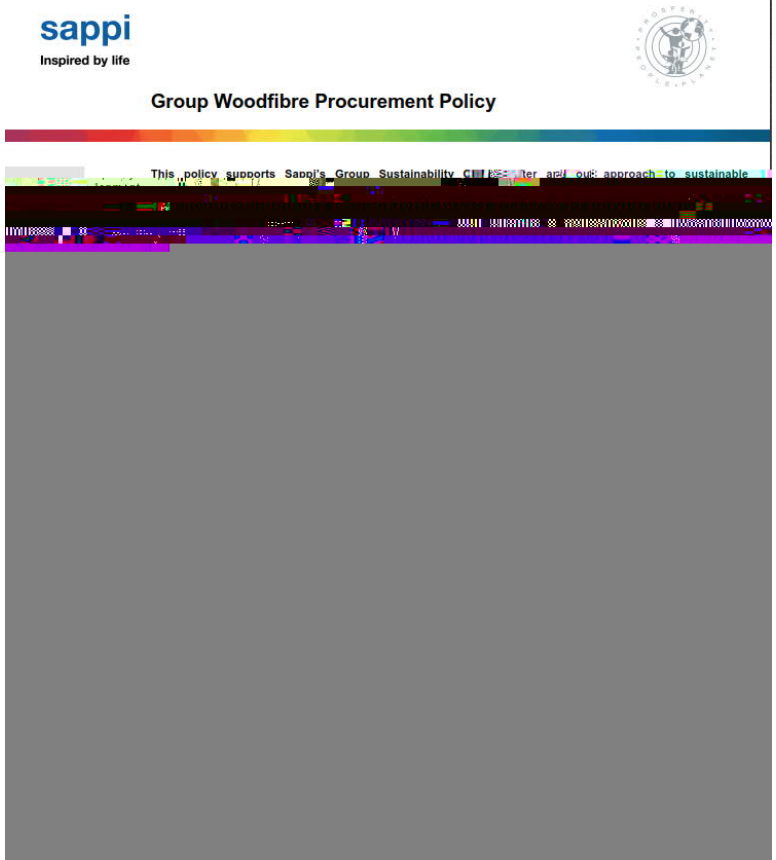
This is to confirm that the wood species used for the wood pulp production in Lenzing Biscuit Packery are not listed



In order to protect the world's remaining ancient and endangered forests, and the biodiversity and ecosystem services they provide, we have committed to avoid sourcing wood from ancient and endangered forests and IFLs.



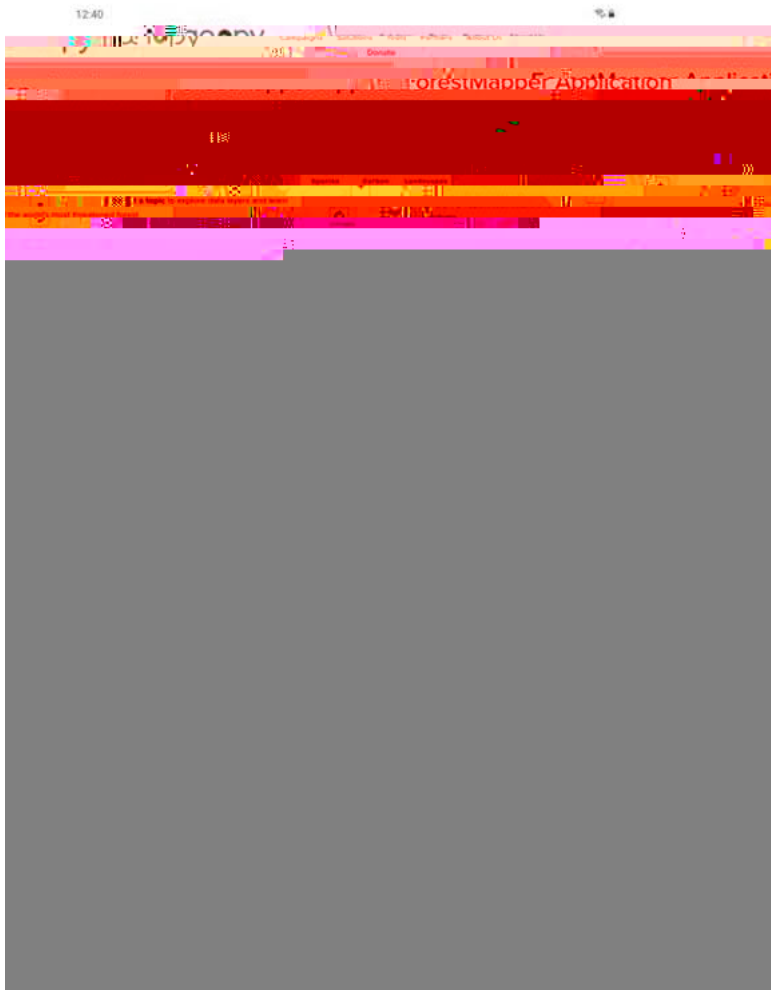
Sappi provided their procurement policy:



Domsjo, Calma and Sodra provided the forest level info with maps.

Domsjo provided its forest map and also provided the results by using the Forest Mapper, which confirm no sourcing from ancient and endangered forests and IFLs:



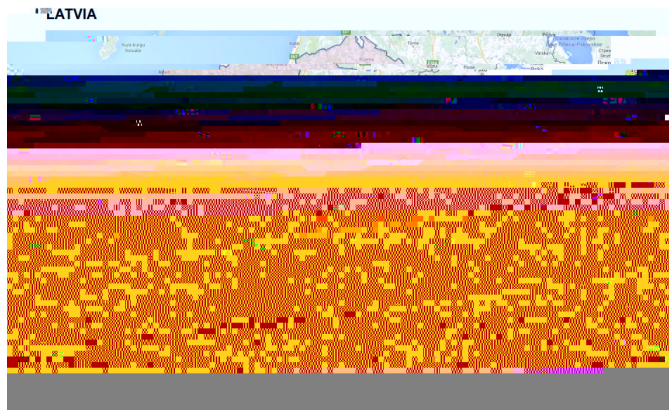


Sodra:

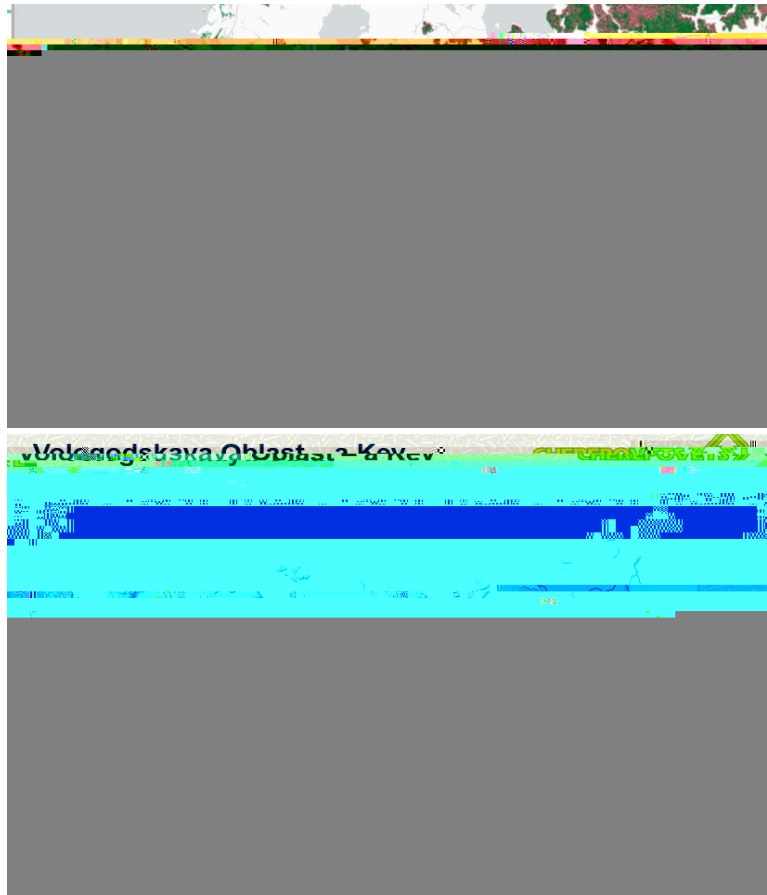


Areas shown on ForestMapper for Gotaland, no A&E forests and IFLs.:





Areas shown on ForestMapper for Latvia, no A&E forests and IFLs:



Sodra also mentioned there are A&E forests in the Vologda region to their Russian supplier (According to the ForestMapper, the auditor found that there are IFLs near the Vologda area), but it has been proven in the earlier audit that their Russian supplier does not harvest in the A&E forests, below is the email provided from Sodra:

## Fujian Qingshan Paper



	<p>No such materials have been identified by the company as of this audit.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws.</p> <p>The company holds a number of third-party certificates, most of which covers the compliance with applicable law, including:</p> <ul style="list-style-type: none"> <li>• ISO9001:2015 quality management system</li> <li>• FSC Chain of Custody</li> <li>• ISO14001:2015 Environment Management System</li> <li>• ISO45001: 2018 Occupational Health and Safety Management System</li> <li>• ISO50001:2018 Energy management System</li> <li>• STANDARD 100 by OEKO-TEX® testing and certification system.</li> <li>• SA 8000:2014 Social Accountability System</li> <li>• Recycled Claim Standard 2.0 (RCS 2.0)</li> <li>• Green Leaf Certification</li> </ul>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. The purchasing statistics provided from the 7 overseas suppliers showed that there are both certified and non-certified materials purchased by the company, based on the Canopy Dissolving Pulp Classification Tool, all these 7 overseas suppliers are graded as low risk/ no sourcing issues identified.</p>
<p><b>Summary:</b></p> <p>The MMCF producer has adopted clear definitions for the terms included in their Policy. Some suppliers provided forest map, some provided self-explanatory statements in terms of mapping and identifying ancient and endangered forests.</p> <p>The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p> <p>The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. The purchasing statistics provided from the 7 overseas suppliers showed that there are both certified and non-certified materials purchased by the company, based on the Canopy Dissolving Pulp</p>	

Classification Tool, all these 7 overseas suppliers are graded as low risk/ no sourcing issues identified.

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

Indicators	Findings
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known.  Some suppliers provided their forest level info.  Detailed assessment please refer to findings on indicator 4.2.</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The company included the policy and CanopyStyle requirement in the management operational manual.  The supply agreement defined the situation where the purchase will be stopped "If it is found that the sources of wood are from areas not meeting the requirements, suppliers shall give reasonable improvement program as soon as possible."</p>

	<p>and provide evidence. During the interview, the auditor learned that since Borregaard was graded as no sourcing issues in the Canopy Dissolving Pulp Classification Tool at the end of 2020, the company re-initiated procurement with Borregaard.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The company provided a cease determination record as of this audit. The determination was issued on 30th of April 2020, it shows that during last CanopyStyle audit (2019), Cosmo and Borregaard were identified as potential risk. The company decided to temporarily cease the cooperation with these two suppliers and required them to take corrective actions and provide evidence. During the interview, the auditor learned that since Borregaard was graded as no sourcing issues in the Canopy Dissolving Pulp Classification Tool at the end of 2020, the company re-initiated procurement again with Borregaard.</p>

**Summary:**

The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known.

Some suppliers provided their forest level info. Detailed assessment please refer to findings on indicator 4.2.

The Company included the policy and CanopyStyle requirement in the management

evidence. During the interview, the auditor learned that since Borregaard was graded as no sourcing issues in the Canopy Dissolving Pulp Classification Tool at the end of 2020, the company re-initiated procurement again with Borregaard.

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

Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.</p>
<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</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</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met</p>

Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOS.\*\*

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

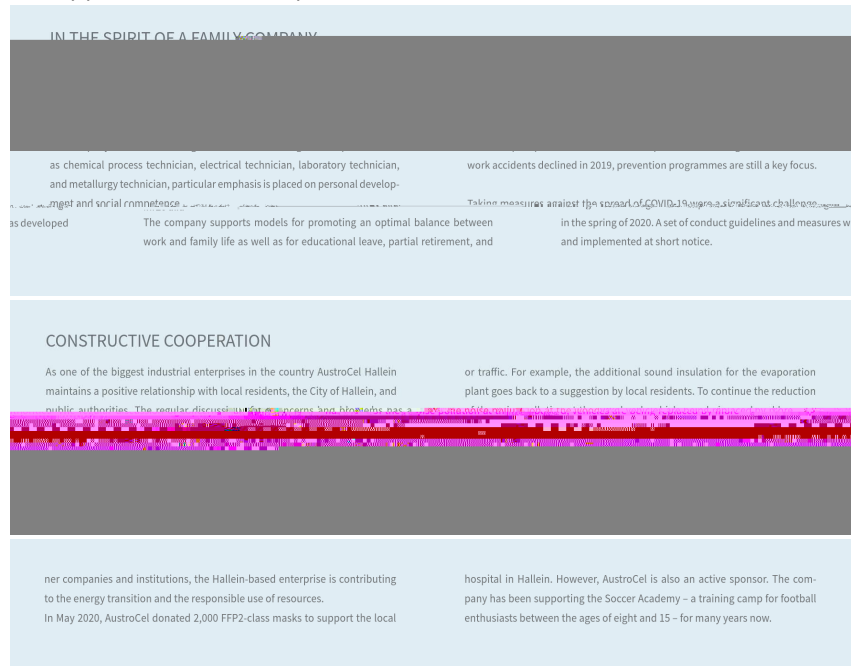
**Description of the finding:**

This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered

Nations rights and rights of workers. \*\*

**Description of the finding:**

**AustroCel Hallein** provided their sustainability report 2020, where they recorded their efforts in recognizing and respect the human rights, community rights, and rights of workers, for example, providing different kinds of trainings to staff, offering a wide range of social benefits such as profit sharing, health programmes, taking measure against COVID-19, maintain a positive relationship with local residents, the City of Hallein and public authorities, donation to support the local hospital in Hallein, etc:



**Borregaard, Caima, Domsjo and Sodra** provided their 2020 annual report, Sustainability Report 2020 in which they introduced their efforts in caring for the staff, competence development for staff, diversity and equal opportunities, and contribution to the local society, etc:

For more details, please visit their websites:

Borregaard: [https://www.borregaard.com/media/3w0f5glc/borregaard-annual-report-2020\\_spreads.pdf#](https://www.borregaard.com/media/3w0f5glc/borregaard-annual-report-2020_spreads.pdf#)

Caima: <https://altri.pt/en/sustainability>

Domsjo: [http://www.domsjo.adityabirla.com/en/Documents/Sustainability\\_report\\_Domsjo\\_Fabriker\\_AB\\_FY21.pdf](http://www.domsjo.adityabirla.com/en/Documents/Sustainability_report_Domsjo_Fabriker_AB_FY21.pdf)

Sodra: <https://www.sodra.com/en/global/sustainability/>

**Lenzing** didn't provide evidence, but auditor found their sustainability management related efforts on their official website in which they documented their efforts related to staff care and community wellbeing contributions, etc.

<https://www.lenzing.com/sustainability>

**Sappi** also didn't provide evidence, but auditor found their 2020 Sustainability Report, where also related efforts are made to the staff and community, etc:

<https://sappi-ir-reports.co.za/online-reports/gsr-2020/>

	<p>Although all suppliers hold either PEFC or FSC certification, not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p>
<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company is FSC certified and also has a public grievance operation procedure featured for Canopy to accept and handle complaints.</p> <p><del>Three out of the seven suppliers are FSC certified companies which provides some evidence of conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope.</del></p> <p><del>Other dissolving pulp mills like Hallein and Lenzing have PEFC certificate which also requires a complaints mechanism and resolution.</del></p> <p>Although all suppliers hold either PEFC or FSC certification, not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p> <p>Note: FSC COC certification requires certified companies to have such a mechanism for their scope. PEFC certificate also requires a complaints mechanism and resolution.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union, Production &amp; Environmental Protection department, Safety department, Comprehensive Management Office, Remuneration Committee, Safety Committee, and Emergency Department, etc. The HR policies and procedures samples were also provided to the auditor.</p> <p>The company is FSC COC certified which requires the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>It holds a valid Occupational Health and Safety Management System Certificate (ISO45001:2018); all workers have signed labour contracts and the company pays for their social insurance. Labour contract sample and salary records are checked by the auditor.</p> <p>All 8 suppliers issued their latest sustainability report / annual report/ CSR system in which they introduced their efforts in</p>

	<p>recognizing and respecting the rights of their workers. All 8 suppliers are either FSC or PEFC certificate holders.</p> <p>Although all suppliers hold either PEFC or FSC certification, not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p> <p>Note: For FSC COC certified companies are required to sign the policy for association is a declaration by the company that they are not involved in directly or indirectly with the activities that can violate workers' rights; for PEFC certificate, it also requires to recognize and respect the rights of the workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts with the suppliers.</p> <p>All 8 suppliers are either PEFC or FSC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>The requirement on all suppliers of viscose pulp raw material shall provide the evidence of established procedures and guarantee to comply with basic principles of International Labour Organization on workers' rights and the workplace has been included in the Operational Manual.</p> <p>Although all suppliers hold either PEFC or FSC certification, not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Recognition and respect for human right is included in the Company's policy.</p> <p>Also, the company is FSC certified, which means that they have signed the Policy for Association, which declared that they are not involved in activities that violate human rights. Within the Company, there is a labour union which actively engages in the management of the Company.</p> <p>The Company and all suppliers are FSC or PEFC certified companies. However, the procurement records checked during this audit from Caima, Domsjo and Sodra do not have relevant claim, which lower the confidence in this regard.</p> <p>This indicator is a summary requirement of 7.1-7.5 and thus is being graded as in progress.</p>



**Summary:**

The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.

All suppliers and/or traders have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.



	<p>2. The project on using corn stalks as raw material to prepare straw fibre pulp and staple fibre is still under small-scale testing phase.</p> <p>3. For the viscose fibre made by using natural and biodegradable cellulose pulp to such as flax, linen and kenaf, at present, batch production can be realized according to user needs. In recent years, customer orders range from 20-50 tons.</p>
<p><b>Summary:</b></p> <p>The company has been working with Renewcell and Ekman &amp;Co AB to create the world's first industrial scale viscose filament yarn made from 50-100% chemically recycled textiles. This viscose filament yarn is using 95% FSC certified pulp + 5% recycled pulp, among which the 5% recycled pulp is derived from recycled cotton fabric (clothing). Currently the small-scale testing phase is completed and entered into a commercial scale phase.</p> <p>The company also developed a set of production processes for preparing straw fibre pulp and staple fibre using corn stalks as raw materials. This project is still under small-scale testing phase.</p> <p>The company has been working on using natural and biodegradable cellulose pulp to produce viscose fibre such as flax, linen and kenaf since 2003. Two patent certificates have been obtained. This product has been entered into batch production.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>The company has participated in Canopy events to promote the conservation of ancient and endangered forests, including the 2019 Shanghai summit.</b></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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The organization requested all suppliers make commitments on FPIC of indigenous people and local communities. Additionally, the company sent a letter the Government of British Columbia voicing their support for the protection of forests in BC, including the Great Bear Rainforest.</p>
9.3 The MMCF producer publicly supports science-based international and national	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

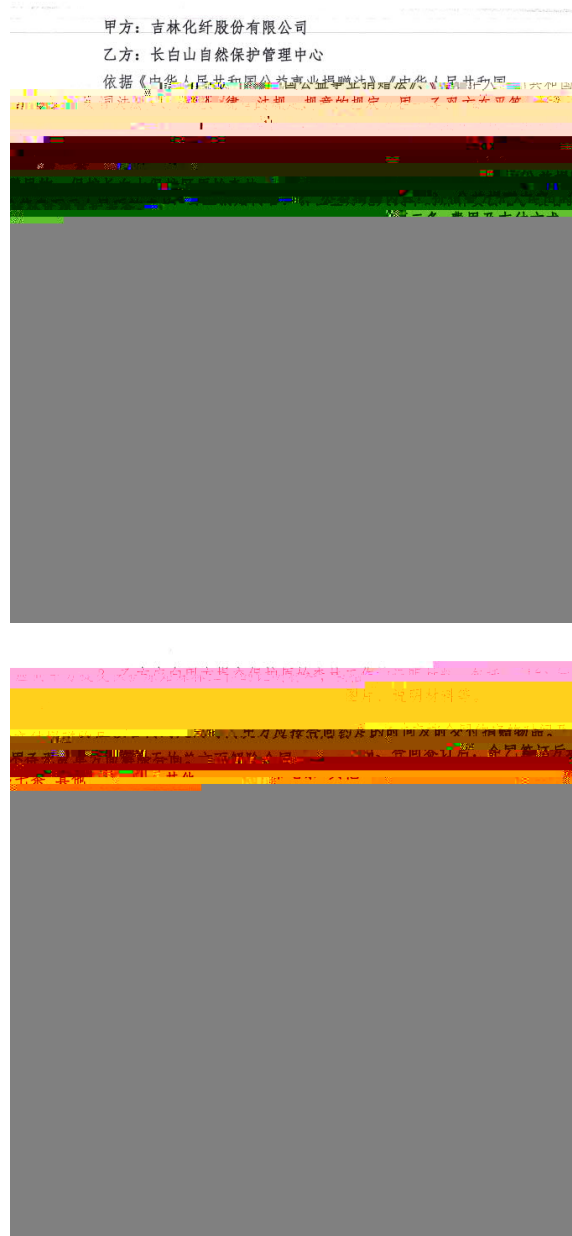
target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.

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

**Description of the finding:**

The company donated 40 flashlights specially designed for the field patrol for Changbaishan Nature Reserve Centre in December 2019.

**森林资源保护公益捐赠协议**



9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. \*\*

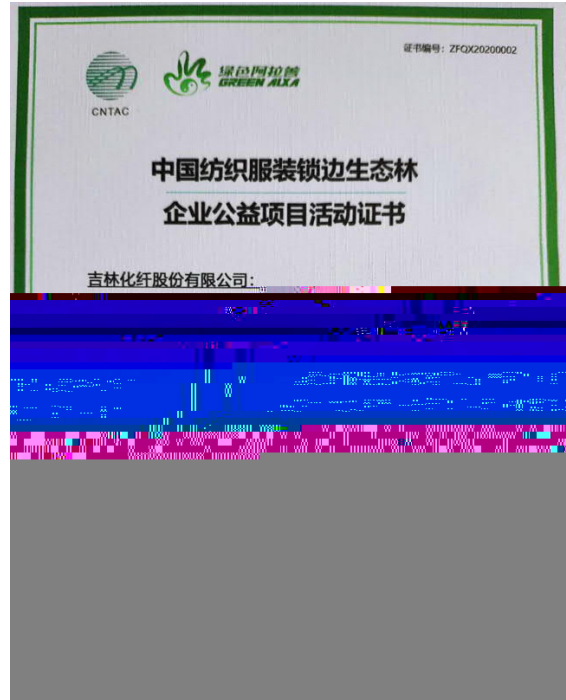
**Conformance with Indicator:**

- Not Applicable
- Commitment Met
- Commitment in Progress

- Commitment Not Met
- Insufficient Information Available

**Description of the finding:**

In 2020 August, the company joined a charity program and planted several ha of ecological forest in Alxa Tengger Desert Ecological Public Welfare Base, which located in Tengger Desert, Alxa, Inner Mongolia. This program is initiated by Green Alxa and China National Textile and Apparel Council.



**Summary:**

The company donated 40 flashlights specially designed for the field patrol for Changbaishan Nature Reserve Centre in December 2019. In 2020 August, the company joined a charity program and planted several ha of ecological forest in Alxa Tengger Desert Ecological Public Welfare Base, which located in Tengger Desert, Alxa, Inner Mongolia. This program is initiated by Green Alxa and China National Textile and Apparel Council.

The organization requested all suppliers make commitments on FPIC of indigenous people and local communities, but the company hasn't been prompted yet.

10. Responsible forest management	
Indicators	Findings
10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Not Applicable</li> <li><input type="checkbox"/> Commitment Met</li> <li><input checked="" type="checkbox"/> Commitment in Progress</li> <li><input type="checkbox"/> Commitment Not Met</li> <li><input type="checkbox"/> Insufficient Information Available</li> </ul> <p><b>Description of the finding:</b></p>

	<p>In the FSC certified pulp purchase plan provided during this audit, it is stated the Company source fibre with the preference for FSC certification:</p> <p>The company plans to purchase 6,000 tons of FSC certified pulp for 2021. By the time of the audit, the company has received 2,998.547 tons of FSC Mix 70% claimed pulp from Sappi. The company has signed a contract with Domsjo for 1,000 tons of FSC certified pulp but hasn't been received yet. The goal of purchase of FSC certified pulp for 2022 is 6,800 tons.</p>
<p><b>Summary:</b> In the FSC certified pulp purchase plan provided during this audit. it is stated the Company source fibre with the preference for FSC certification.</p>	

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

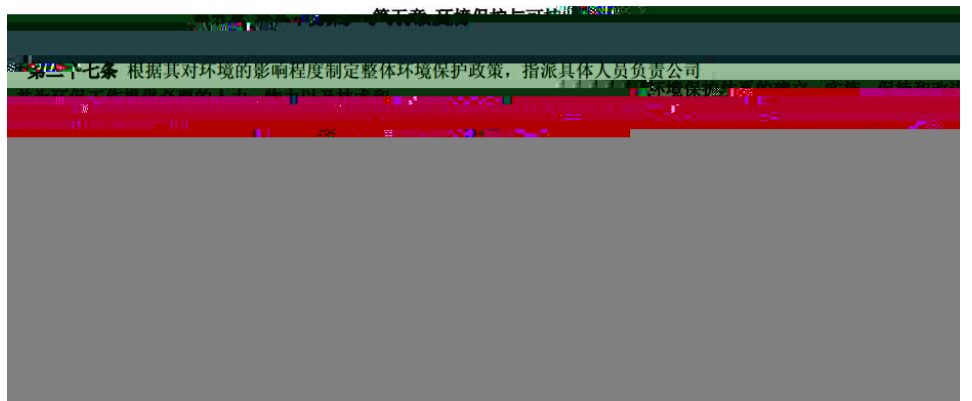
Indicators	Findings
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company has procedures to require the suppliers to provide evidence of reducing GHG.  During this audit, AustroCel Hallein, Borregaard, Caima, Domsjo and Sodra provided their annual report and/or sustainability report in which introduction on their efforts in reducing GHG are provided.  Lenzing provided the access to their decarbonization path via a confirmation letter. The auditor found Lenzing's efforts and targets on reducing the GHG via their official website:</p>



Sappi didn't provide solid evidence, the auditor also found their 2020 Group Sustainability Report in which introduction on their efforts in reducing GHG are provided.

Fujian Qingshan Paper also didn't provide solid evidence on reducing GHG, the auditor found their CSR system on the official website as well as their 2020-2021 emission performance for the local area:

社会责任制度



11.2 MMCF producer  
has procedures to know  
whether their suppliers



11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. \*\*

**Conformance with Indicator:**

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

**Description of the finding:**

Based on the supplier management operational manual, the company will give preference to the certified pulp and the suppliers that have management measures to protect forest and peatlands. The suppliers are graded as 4 levels: Best, Good, Qualified and Non-qualified. Preferences are given to the Best, Good and Qualified suppliers.

**Summary:**

The Company has procedures to require the suppliers to provide evidence of reducing GHG. During this audit, AustroCel Hallein, Borregaard, Caima, Domsjo and Sodra provided their annual report and/or sustainability report in which introduction on their efforts in reducing GHG are provided. there are GHG reduction efforts introduced on Lenzing and Sappi's official website. Fujian Qingshan Paper also displayed their emission performances for 2020-2021 on their official website. The company developed the procedure requiring suppliers to provide their sourcing information and documents up to the forest level. Based on the operating manual, the Company will give preference to the certified pulp and the suppliers that have management measures to protect forest and peatlands. The suppliers are graded as 4 levels: Best, Good, Qualified and Non-qualified. Preferences are given to the Best, Good and Qualified suppliers.

**12. Pollution Prevention**

Indicators	Findings
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12.1 \*This verification process will not 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:**

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

**Description of the finding:**

The CanopyStyle audit will not report on this indicator.

Other tools such as the Hot Button report will address chemical management starting in 2020.

**Summary:**

The CanopyStyle audit will not report on this indicator. Other tools such as the Hot Button report will address chemical management starting in 2020.

\*\* Indicates Critical Indicators

## Appendix B: standard checklist (CanopyStyle Verification Framework – Viscose Mill Checklist)

### 1. Evaluation of Participating site: Viscose mill of the company

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Li Kui, Vice GM of the Production
<b>Auditor(s):</b>	Peiyong Zhou
<b>People Interviewed, Titles:</b>	Kong Yuying, Vice GM of the Production Sun He, Director of Sales Wang Yuanxu, Purchase Centre Jiao Chu, Logistic and Warehouse Zhang Xiaoming, Production Yuan Yuyao, Production Yu Shujuan, Cao Ruyi, Comprehensive Management Xiao Hongli, Viscose liquid preparation workshop Zhang Ying, Spinning workshop
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b>	This mill is responsible for viscose filament rayon production and storage of material and products.

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The policy was public on the company's website:</p> <p>The Company organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy,</p>

1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.\*\*

definition of ancient and endangered forests and controversial sources.

**Conformance with Indicator:**

Not Applicable



	<p>The mill does not involve in sourcing wood pulp sourcing. The related to wood fibre inputs transport documents are documented at the purchasing department.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This mill has no sourcing activity of wood pulp.</p> <p>The certification code and claim are included on the commercial invoice and packing list from the suppliers, including AustroCel Hallein, Borregaard, Domsjo, Lenzing Paskov, Sappi, and Fujian Qingshan Paper.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp.</p> <p>The corporate office maintains the records of annual purchase and sales.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This mill has no sourcing activity of wood pulp.</p> <p>The trade and transport documents from the suppliers carry relevant FSC/PEFC certificate code and claim when relevant.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p>
<p><b>Summary:</b></p> <p>The mill does not involve in purchasing. The delivery documentations are maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified wood fibre. However, none of the trade and transport documents include the forest of origin.</p>	

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

Indicators	Findings
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The interviews to the management confirmed they were aware all relevant laws and regulations.  Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.  At the time of this audit, there is no news and info disclosed that the organize is non-compliance with national and international laws. In addition, the company holds a number of third-party certificates, including:</p> <ul style="list-style-type: none"> <li>• ISO9001: 2015 quality management system</li> <li>• FSC Chain of Custody</li> <li>• ISO14001: 2015 Environment Management System</li> <li>• ISO45001: 2018 Occupational Health and Safety Management System</li> <li>• ISO50001: 2018 Energy management System</li> <li>• STANDARD 100 by OEKO-TEX® testing and certification system.</li> <li>• SA 8000: 2014 Social Accountability System</li> <li>• Recycled Claim Standard 2.0 (RCS 2.0)</li> <li>• Green Leaf Certification</li> </ul>
<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The mill has no sourcing activity of wood pulp.  By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p>

	<p>The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The assessment was conducted by sourcing department at headquarters.</p> <p>Detailed findings please refer to section 2 and 4 of the checklist for Corporate Sourcing (headquarters)</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Risk assessment and supplier assessment were conducted by the group headquarter.</p> <p>Detailed findings please refer to section 2 and 4 of the checklist for Corporate Sourcing (headquarters)</p>
<p><b>Summary:</b></p> <p>The interview with the management proves they were aware all relevant laws and regulations. There is no news and info disclosed that the company is non-compliant with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarter.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings
<p>5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>



## Appendix C: 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.

January 2022

Canopy applauds Jilin for embarking on its second CanopyStyle audit. The report concludes that the company is at low risk of sourcing from Ancient and Endangered Forests, has increased its uptake of FSC certified fibre, and is entering commercial scale production for MMCFs containing Next Generation fibres.

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

1. Determine plantations dates for the relevant Austrian supplier and request that they regain their FSC certification.
2. Continue to scale up the production of Next Generation fibres, with the goal of achieving 50% by 2030;
3. Implement the company's FSC preference by continuing to increase the volumes of certified fibre used, with a preference for fibre from FSC certified forests (FSC 100%);
4. Continue due diligence to learn what forest level wood supply concessions/areas suppliers that have not reported forest level fibre supply are sourcing from;
5. Continue to take action to support the conservation of a key landscapes of hope.

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 Jilin continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

Once again, we comment Jilin on the pro-active work related to suppliers with risk and development of risk due diligence tools and congratulate you for the timely completion of the second audit and for achieving low risk in your supply chain.

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