

# CanopyStyle Audit Report

## for China Textile Academy Green Fibre Co.,Ltd

Assessment 2020

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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 China Textile Academy Green Fibre Co., Ltd hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 2021 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

China Textile Academy Green Fibre Co.,Ltd is a company that was jointly invested and established by China General Technology Group, Xin Xiang Bailu Group (a minority shareholder) and China National Machinery Industry Corporation in June 2015. The company is engaged in the production, operation, technology and product development of new solvent-based cellulose fibers (Lyocell) and began its production in 2016. The company is a subsidiary of the state institute China Textile Academy. It has two production lines, one with production capacity of 30,000 ton, and the other with production capacity of 60,000 ton. The designed annual output is 90,000 ton with an actual output in 2020 is around 20,000 ton , since one of the 2 production lines ( 60,000 ton capacity) has just went into trial in October 2020. China Textile Academy Green Fibre Co.,Ltd only produces Lyocell and it's the only one in China which produces pure Lyocell using bamboo pulp.

It holds a number of 3<sup>rd</sup> party certificates, including FSC COC certificate (NC-COC-060774); Occupational Health and Safety Management System Certificate (OHSAS 18001:2007); Environmental Management System Certificate (ISO 14001:2015); Quality Management System Certificate (ISO 9001:2015).

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

China Textile Academy Green Fibre Co., Ltd. purchases raw material, manufactures and sales of Lyocell fibre only.

The headquarters is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill. It only has one mill which is responsible for manufacturing the Lyocell fibre.

## 1.3 Company sourcing policy

The Company published their *Fibre Procurement Policy for Protecting Forests* being effective on 1<sup>st</sup> of October 2020, 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.

## 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 99% Dissolving pulp and 1% bamboo pulp.	
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No Comments:
Mill Capacity:	90,000 ton/year, Lyocell fibre	
Primary Activity:	Lyocell fibre production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 277	Permanent female: 52
	Contract male: 0	Contract female: 0
	TOTAL:	329

Sites included in evaluation	Location
China Textile Academy Green Fibre Co.,Ltd	South side of Xinchang Road, Xinxiang economic and Technological Development Zone, Henan Province
Lyocell fibre mill ( began production in 2016)	South side of Xinchang Road, Xinxiang economic and Technological Development Zone, Henan Province

## 3. EVALUATION PROCESS

### 2.1 Audit Team

Auditor name(s)	Qualifications
Gaojun Zhao	Responsible Sourcing Specialist, NEPCon; FSC FM/CoC Lead Auditor and NEPCon LegalSource auditor; Majored in forestry management and has more than 11 years of experience in the fields of Timber Legality Verification, Forest Management and FM/COC certification in China.
Peiyong Zhou	Responsible Sourcing Specialist; FSC COC qualified auditor; Qualified LegalSource auditor; Rich experience in timber legality related projects, especially in EUTR, FLEGT Action Plan (VPAs) related activities. Adequate knowledge and understanding in international timber legality requirements.

## 2.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Corporate office	12 November 2020	5 hours
Lyocell fibre mill	13 November 2020	3 hours

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

## 2.3 Description of Overall Audit Process

Preferred by Nature (NEPCon) lead 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 12 November 2020, the audit started with an opening meeting 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 practises with Canopy policy commitment, including 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.

Then, the auditor toured the company's mill including the production line and warehouse. where the brand of the pulp and stock were particularly checked through spot check and staff interviews.

In combination with review documents and visit the company's facilities, the auditor interviewed the staff from various departments: marketing, purchase, production, warehouse, labour union, HR, etc.

The closing meeting was held at the office at 14:00 of 13 November 2020 with the presence of the management. During the meeting the main findings were presented and explained to the Company.

## 4. EVALUATION RESULT

### 4.1 Evaluation Conclusion

#### Positive findings:

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

The Company had several meetings with Canopy to clarify the requirements and 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 five 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.

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 and a supplementary agreement will be added to the contract to suppliers with potential risks for future purchasing. The company has developed an action plan to increase FSC purchase – increase the proportion of certified pulp to 5% annually.

The company is researching the technology of making recycled cotton pulp since 2019.

The producer has developed a procedure to evaluate their suppliers' performance in reducing GHG.

The company exclusively uses lyocell technology to make viscose staple fiber which is confirmed by onsite visit (production line, dissolvent recycling workshop, warehouse of dissolvent,) and interviews of staff at production and technology department).

#### Areas for Improvement:

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, but most often received only enough information to locate the dissolving pulp mill location. Therefore, sometimes origin of material is only known at a country or state/province level, creating a broad sourcing area with potential overlap with ancient and endangered forests. More information on forest of origin is needed to understand if these mills are in fact sourcing from ancient and endangered forests or other controversial sources.

Prior to the audit, 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. In comparing the company risk assessment with the new Canopy classification tool, there are differing in risk results:

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
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Rayonier A.M. Canada G.P	Low risk	Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required.
AustroCel Hallein	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Sappi Southern Africa Ltd	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Cosmo Specialty Fibers, Inc.	Low risk	In proximity to coastal temperate rainforests and Intact Forest Landscapes. Further sourcing information and/or auditing required.
Sichuan Tianzhu (Bamboo pulp)	Low risk	N/A

The Company has made great efforts to conduct a risk assessment on sourcing from ancient and endangered sources, but more assessment is needed for controversial sources. The Company sources from many forest management units that are plantations, and information has been requested on the establishment date of these plantations, but not much information has been received.

## 4.2 Summary of findings

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

\*\* Indicates Critical Indicators

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



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

	risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	
	4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	<i>Not Applicable</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<i>Commitment Met</i>
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<i>Commitment in Progress</i>
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<i>Commitment in Progress</i>
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	<i>Commitment in Progress</i>
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<i>Not Applicable</i>
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	<i>Not Applicable</i>
	6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	<i>Not Applicable</i>
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	<i>Not Applicable</i>
	6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	<i>Not Applicable</i>
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively	<i>Not Applicable</i>

	seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	<i>Commitment in Progress</i>
	7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **	<i>Commitment in Progress</i>
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	<i>Commitment in Progress</i>
	7.4 The MMCF producer and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers	<i>Commitment in Progress</i>
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	<i>Commitment in Progress</i>
	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. **	<i>Commitment in Progress</i>
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment in Progress</i>
	8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<i>Commitment Not Met</i>
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	<i>Commitment in Progress</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Not Applicable</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Not Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the	<i>Commitment Not Met</i>

	maintenance of their habitat through time, with government and/or ENGO programs. **	
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment in Progress</i>
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment in Progress</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment Not Met</i>
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at <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>	<i>Not Applicable</i>

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

Reporting period: January 2020 – October 2020

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0%
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	0	0%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	0%
Non-FSC	Material received with no FSC claim.	23,230 t	100%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0%

<sup>5</sup> The volume summary is provided by the organization.

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

### 1. Evaluation of site China Textile Academy Green Fibre Co.,Ltd

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Wang Kuo, Brand Manager
<b>Auditor(s):</b>	Gaojun Zhao, Peiying Zhou
<b>People Interviewed, Titles:</b>	Mr. Ji Liuyan, vice director of Marketing Dept. Mr. Wang Kuo, Brand Manager, Brand Dept. Mr. Zhang Dong, Technology Dept. Mr. Zhang Qiming, Labor Union Ms. Zhao Xiaomeng, Purchasing Dept. Mr. Hao Siyuan, Warehouse
<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> China Textile Academy Green Fibre 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 in 1<sup>st</sup> Oct. 2020). The policy was posted on the website:  <a href="http://www.zfylsxw.com/cgzb_detail/newsId=287.html">http://www.zfylsxw.com/cgzb_detail/newsId=287.html</a></p> <p>The interview of the management members 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>
1.2 The MMCF producer has developed standard operating procedures (SOP) required	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

<p>to implement the Policy. These are available upon request to stakeholders. **</p>	<p><input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has developed the operating manual for the implementation of Canopy sourcing policy and is available to stakeholders upon request.</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 brand manager of the company, Mr. Wang Kuo has the overall responsibility for sourcing policy implementation.</p> <p>The brand department is assigned and responsible for the implementation of the policy. The responsibility of implementing the policy is included in an organizational chart that includes responsible staff. The interview of the brand manager, confirmed he's fully aware the policy and responsibilities.</p> <p>Other departments are also involved, such as purchase, HR, admin office.</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>Organization chart has been provided during the audit, led by the General Manager, a management representative is assigned and several departments are involved including Purchasing, Production, Sales, Warehouse, Financial and Administration Dept. Therefore the company has demonstrated capacity to implement the policy.</p> <p>The Company organizational chart for implementation of policy has been shared with the auditor.</p> <p>Interviews with found all relevant staff were aware of Canopy policy and their responsibility,</p>

	including depts. From Purchase, Production, H&R, Warehouse, etc.
1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**	<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 notified all suppliers the commitments via email &amp; Wechat (Well-known message app in China) in November 2020.</p>
1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**	<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 requirements to implement the policy have been included in the contract with all suppliers and a supplementary agreement will be added to the contract to suppliers with potential risks for future purchasing.</p> <p><b>Note:</b> there was no new contract with these suppliers since the implementation of Canopy sourcing policy. This indicator is being graded as in progress due to current contracts in place not having these requirements.</p>
1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  At the time of the audit, no evidence is provided to confirm that the company has developed and is implementing a system to monitor supplier conformance with the policy.</p>
1.8 The MMCF producer has put in place a grievance procedure.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

	<input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b>  <p>The company established the grievance procedure in the SOP confirming on the communication channel, solution on coping with the grievance, designation of department in charge of coping with grievance:</p> <ul style="list-style-type: none"> <li>- Special telephone number and email address to be set up on the company's official website;</li> <li>- The company collects any grievance related information every week;</li> <li>- The company establishes a Canopy work group which consists of representatives from Management team, Purchase Department, and Administration Department;</li> <li>- The company initiates the grievance within one week, and gives feedback within one month;</li> <li>- If a Canopy related grievance is confirmed, relevant information shall be disclosed to Canopy in a timely manner. Related activities that violate Canopy's requirements shall be halted immediately;</li> <li>- Report on the grievance shall be produced and publicized.</li> </ul>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**</p>	<b>Conformance with Indicator:</b> <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  <b>Description of the finding:</b> <p>No complaints have been received, and no non-conformance has yet been recognized as this is the first CanopyStyle audit.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<b>Conformance with Indicator:</b> <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  <b>Description of the finding:</b>  <p>The Company organized several training sessions on the policy and Canopy requirements in August and September 2020.</p>



	<p>The interviews to relevant staff in corporate office and mill demonstrated they are fully aware the policy and were able to explain to the auditor how they should implement the policy.</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></p> <p>Yes, the SOP developed by the group headquarters was shared with the mill.</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 brand department was designated to ensure the implementation.</p> <p>According to the sourcing operating manual, the purchase contract will include this requirement, and a supplemental agreement will be added into the contract to suppliers that are with potential risks. There was no new contract with these suppliers since the implementation of Canopy sourcing policy.</p> <p>At the time of the audit, no evidence is provided to confirm that the company has developed and is implementing a system to monitor supplier conformance with the policy.</p>	

<b>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy</b>	
<b>Indicators</b>	<b>Findings</b>
<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 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 provided a list of dissolving pulp suppliers at the time of this audit. The Company has assessed all supply chain partners to the sourcing policy by using the Forest Mapper , advice note on Ancient and Endangered Forests and Classification of dissolving pulp mills Tool. The internal assessments results for all 5 suppliers are low risk.</p>

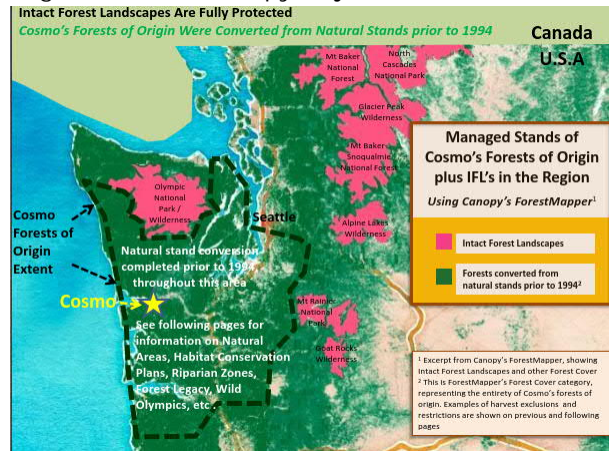
	<p>However, the company’s results do not match the risk results made by Canopy. Based on the Canopy Dissolving Pulp Classification Tool, 2 suppliers (Cosmo and Rayonier) are listed as potential risk and one is not included in the assessment:</p> <p><b>Cosmo (US)</b> ---- In proximity to coastal temperate rainforests and Intact Forest Landscapes. Further sourcing information and/or auditing required.</p> <p><b>Rayonier ( Canada)</b> --- Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required.</p> <p>Sappi (South Africa) ---- No sourcing issues identified based on current information and/or CanopyStyle audit.</p> <p>AUSTROCEL (Austria)---- No sourcing issues identified based on current information and/or CanopyStyle audit.</p> <p><b>Sichuan Tianzhu ( Bamboo pulp)</b>--- Not included in the dissolving pulp classification tool. See indicator 8 for evaluation of risk as an alternative fiber.</p> <p>Additional evidence:  Rayonier provided a product factsheet on detailed info in terms of raw material origin and procurement , certification status, and claiming that the dissolving pulp originates from virgin sources and is 64% FSC certified, 1% PEFC and 35% controlled material via a due diligence system. The product factsheet also provided an overview on compliance performance in terms of meeting the EUTR’s requirements.</p> <p>Cosmo provided its feedback on issues previously raised by Canopy on material sourcing &lt;Forest Protection Regulations &amp; Practices Covering Cosmo’s Forests of Origin – Providing Alignment With Canopy Objectives.&gt; indicating that Cosmo’s forest of origin exclude Intact Forest Landscape, there are conservation efforts abound across Cosmo’s forests of origin, Cosmo’s forests of origin are managed by sustainability-focused landowners; Cosmo’s forests of origin were converted from natural stands prior to 1994, and 100% of Cosmo wood suppliers have signed commitments to auditable traceability to forest of origin.</p> <p>Note: Cosmo has not yet determined the AEF attribute associated with their forest of origin extent, pending Canopy’s insights</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p><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>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b>  The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known.  Sichuan Tianzhu (Bamboo pulp supplier) only map the supply chain up to a sub-regional level, i.e. natural forest from Yibin City, Sichuan Province, China. Among which the 2 largest sources are from Jiang An County and Ren He Town. See indicator 8 for evaluation of risk as an alternative fiber.  AUSTROCEL (Austria) map up the supply chain up to SPARK CHRISTIAN, HALLEIN, AUSTRIA.  Sappi (South Africa) mapped up the supply chain up to a sub-regional level: Umkomaas,  In the product factsheet provided by Rayonier ( Canada) , region / district of origin info is provided: Quebec, Abitibi-Témiscamingue, Nord-du Québec, and Outaouais; Ontario, North East, Central and South  In response to the feedback on issues previously raised by Canopy on material sourcing, Cosmo provided more information on their sourcing along with the sourcing area and some specific FMUs.
2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<b>Conformance with Indicator:</b> <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  <b>Description of the finding:</b> This is the 1 <sup>st</sup> time CanopyStyle audit at the company. The company is aware that the assessments shall be updated annually.  According to the interview with the brand manager, Mr. Wang Kuo, some of the assessments have been shared with Canopy through video conference. The company is willing to share also with the Leaders Group.
2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met

<p>plantations (1994 date), use of Genetically Modified Organism.</p>	<p><input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company didn't develop additional criteria covering these aspects (legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism).</p> <p>Currently the company only asked suppliers to provide FSC certificates, and so far, no FSC certified dissolving pulp has been purchased.</p>
<p>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p><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 published its suppliers publicly with the link <a href="http://www.zfylsxw.com/cgzb_detail/newsId=287.html">http://www.zfylsxw.com/cgzb_detail/newsId=287.html</a></p>
<p><b>Summary:</b> The company collected the supply chain information from the suppliers, conducted the risk assessment and published the supplier list on their website.</p> <p>The internal assessments results for all 5 suppliers are low risk. However, based on the Canopy Dissolving Pulp Classification Tool, 2 suppliers (Cosmo and Rayonier) are listed as potential risk. Both companies provided self-explanatory notes as supplemental information to aid in meeting the CanopyStyle policy.</p> <p>Note: The company has one supplier of bamboo pulp that is considered an alternative fiber and evaluated in indicator 8 of this framework.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p><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>Cosmo used Forest Mapper located its forest origin were converted from natural stands prior to 1994, which is stated in its feedback on issues</p>

previously raised by Canopy on material sourcing <Forest Protection Regulations & Practices Covering Cosmo's Forests of Origin – Providing Alignment With Canopy Objectives.>



Sappi claimed in its Group Woodfibre Procurement Policy that they don't source wood fibre that come from commercial timber plantations which have been converted from natural forests post 1994.

AUSTROCEL provided evidence cut from a previous Canopy report

Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available

AustroCel Hallein: based on Canopy's assessment, there is no interest from an area that would be a plantation established after 1994.

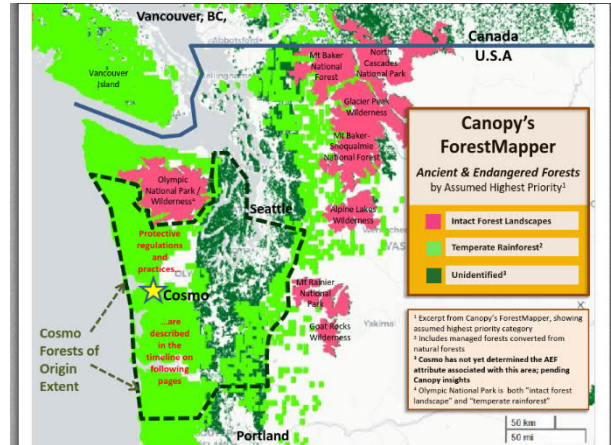
	<p>The bamboo pulp provided by Sichuan Tianzhu is all from natural forest.</p> <p>Rayonier also uses natural forest and the pulp is available with FSC certified claims, however the company is not currently requesting such claims.</p> <p>Note: AUSTROCEL and Sappi have been assessed for this indicator in Canopy's Dissolving Pulp Classification tool, and confirmed low risk.</p>
<p><b>Summary:</b> The Company requested suppliers to disclose the forest type and plantation establishment date. Relevant info is provided from suppliers to prove that there are no conversion of natural forest to plantations.</p>	

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

Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient &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><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 Company's policies and procedures include the definitions of ancient &amp; endangered forests, intact forests, and controversial sources as the CanopyStyle framework.</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><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>Sichuan Tianzhu provided a statement confirming that by using the Forest Mapper, the material supplied by Sichuan Tianzhu is not from ancient and endangered forests.</p> <p>Sappi and AustroCel didn't provide evidence, but according to the Canopy dissolving pulp classification tool, both are graded as no sourcing issues identified based on current information and/or CanopyStyle audit.</p>



Cosmo provided forest map, and stated that Cosmo's forests of origin exclude Intact Forest Landscape.



Rayonier didn't provide its forest map, instead it provided a product factsheet. In the factsheet, it provided info on its forest info up to regional/district level.

Note: Rayonier is graded as potential risk -- Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required, according to the dissolving pulp classification tool.

Cosmo is graded as potential risk -- In proximity to coastal temperate rainforests and Intact Forest Landscapes. Further sourcing information and/or auditing required, according to the dissolving pulp classification tool.

Further, no evidence showed the company has assessed the risk of sourcing from controversial sources in addition to ancient and endangered forests.

All this info has been shared with Canopy via email. The company is also willing to share with the Leaders Group.

4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.\*\*

**Conformance with Indicator:**

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

**Description of the finding:**

No such materials have been identified as of this audit. 2 suppliers have potential risk noted, but this has not been confirmed.

<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>  The interviews to the management confirmed they were aware all relevant laws and regulations.  The auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.  There is no news or information disclosed that the organization is non-compliance with national and international laws. The Company holds a number of 3rd party certificates, including FSC COC certificate ( NC-COC-060774); Occupational Health and Safety Management System Certificate (OHSAS 18001:2007); Environmental Management System Certificate ( ISO 14001:2015); Quality Management System Certificate ( ISO 9001:2015)</p>
<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 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>  <b>The company has conducted their initial risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. However, not all suppliers can be verified as low risk. Note findings in 4.1-4.4 above.</b></p>
<p><b>Summary:</b> 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. No evidence showed the company has assessed the risk of sourcing from controversial sources in addition to ancient and endangered forests. Purchase statistics from the company before the policy got adopted are provided and checked during this audit.</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>No supportive evidence is provided at the time of the audit in terms of verifying the commitment not to source from ancient and endangered forests and other controversial sources.</p>	

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



Indicators	Findings
<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.  <b>The exact information in terms of forest of origins for each pulp supplier are not known. Detailed assessment please refer to findings on indicator 2.2</b></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 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>In the published sourcing policy , it stated that "if the supplier violates these standards, we will first help to change its production behaviour. If it is found that the fiber comes from a region prohibited by the policy, we will reassess whether to maintain cooperation with it."</p> <p>During the audit, no procedure is provided from the company.  Since the policy is adopted, there has not been new procurement occurred.</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 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 is the first audit, and no non-conformance has yet been found.</p>
<p><b>Summary:</b> All dissolving pulp mills are identified. Most suppliers can only provide sourcing info to the sub-regional level. Cosmo provided the forest map.  No evidence is provided in dealing with suppliers non-conformance at the time of the audit.</p>	

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

Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</p>	<p><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>  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.  This indicator is graded as "Not Applicable" due to the fact that no such requests have been made to date.</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. This verification has not yet been completed.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **</p>	<p><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</p>

	endangered forests. This verification has not yet been completed.
6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests. This verification has not yet been completed.</p>
6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent. **	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests. This verification has not yet been completed.</p>
<p><b>Summary:</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>Indicator 6.2-6.5 are only required when company's sourcing has been verified as key priority areas of ancient and endangered forests. This verification has not yet been completed, and therefore these criteria will be re-assessed at the next audit.</p>	

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

Indicators	Findings
7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p>

	<p>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.</p> <p>Sourcing policy has been developed and posted on the company's website (<a href="http://www.zfylsxw.com/cgzb_detail/newsId=287.html">http://www.zfylsxw.com/cgzb_detail/newsId=287.html</a>). Requirement is planned to be added into the contract for future procurement, but hasn't happened to date.</p> <p>Sappi provided its group wood fibre procurement policy and committed to source wood fibre that come from forests where the customary, traditional or civil rights of people are upheld.</p>   <p>Other suppliers didn't provide supportive evidence. All suppliers are either FSC or PEFC certified, but do not supply materials with FSC claims. The FSC Policy for Association does not specifically require FPIC, and is therefore not applicable to this indicator.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **</p>	<p><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>At the time of the audit, the Company lacked evidence from the suppliers on how they confirm with the commitment to recognize and</p>

	<p>respect human rights, community rights, First Nations rights and rights of workers, at the time of this audit.</p> <p>As all suppliers hold certification (either FSC or PEFC) and have provided sourcing policies, this indicator is being graded as in process.</p>
<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p><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. This procedure is internal and not publicly accessible to external stakeholders.</p> <p>The suppliers Rayonier, Sappi, Sichuan Tianzhu and Cosmo are FSC COC certified companies which could guarantee the conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope.</p> <p>AustroCel has PEFC certificate which also requires a complaints mechanism and resolution.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>	<p><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. During audit, interviews of worker showed their rights are respected.</p> <p>The company is FSC certified.</p> <p>It holds a valid Occupational Health and Safety Management System Certificate (OHSAS 18001:2007); all workers have signed labour contracts and the company pays for their social insurance.</p> <p>The suppliers Rayonier, Sappi, Sichuan Tianzhu and Cosmo are FSC COC certified companies which could guarantee the conformance to this</p>

	<p>indicator, as 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. AustroCell has PEFC certificate which also requires recognize and respect the rights of its workers.</p> <p>However, no evidence showed the company's suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><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 has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts with the suppliers.</p> <p>All suppliers are FSC or PEFC certified companies and the supplier AustroCel Hallein is OHSAS 18001 certified, which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>However, the company has not developed effective procedure to verify if the suppliers has developed similar procedure to its own suppliers.</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  <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>  Recognition and respect for human right is included in the Company's policy.</p> <p>Also, the company is FSC certified, which could mean 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 and the supplier AustroCel Hallein is OHSAS 18001 certified.</p> <p>This indicator is a summary requirement of 7.1-7.5 and thus is being graded as in progress.</p>
<p><b>Summary:</b> Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. Some supplier provided its procurement policy that includes a commitment to source wood fibre that come from forests where the customary, traditional or civil rights of people are upheld.</p> <p>All suppliers are FSC or PEFC certified companies and the supplier AustroCel Hallein is OHSAS 18001 PEFC certified, which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. The Company does hold FSC certification.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p><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 is a subsidiary of the state institute China Textile Academy. They have been researching the technology of making recycled cotton pulp using recycled textile since 2019. No evidence was provided during the audit.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The research for the production of recycled cotton pulp has not been successfully completed.</p> <p>The producer purchased 500 tons bamboo pulp from the pulp mill – Sichuan Tianzhu with a FSC-COC certificate, DNV-COC-001470. However, no sufficient evidences have been demonstrated that the purchased bamboo pulp meets the <a href="#">seven criteria</a> established by Canopy for bamboo pulp as alternative pulp. The invoice</p>



	of bamboo pulp from supplier didn't include FSC claim.
<p><b>Summary:</b> The company is researching the technology of making recycled cotton pulp since 2019. It's at the very beginning stage and the recycled cotton pulp would be far from entering a commercial scale phase.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**	<p><b>Conformance with Indicator:</b></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
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> <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
9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable



maintenance of their habitat through time, with government and/or ENGO programs. \*\*

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

**Description of the finding:**

The MMCF producer didn't implement or participate any specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.

**Summary:**

The Company has positively engaged in meeting and events. 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**

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. \*\*

**Findings**

**Conformance with Indicator:**

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

**Description of the finding:**

The company has developed an action plan to increase FSC intake (see snapshot below). Interviews with purchase manger M. Zhao Xiaomeng confirmed the organization give preference for FSC certified suppliers and certified pulp. The organization requested AustroCel Hallein (currently has only PEFC certificate) to apply for FSC certificate. The organization has developed an action plan to increase FSC purchase – increase the proportion of certified pulp to 5% annually.

**FSC 溶解浆采购计划**

作为莱赛尔纤维生产企业,中纺院绿色纤维股份公司一直致力于保护原始濒危森林的行动,积极响应 CANOPY 的号召。在目前公司的四家溶解浆供应商中,三家供应商已经有 FSC 的认证,只有 AUSTROCEL HALLEIN GMBH 这家仅拿到 PEFC 的认证,尚未进行 FSC 的认证。我司会督促 AUSTROCEL HALLEIN GMBH 供应商尽快进行 FSC 的认证,同时加大对 FSC 溶解浆的采购量,每年增加 5% 的 FSC 木浆溶解浆采购比例。

中纺院绿色纤维股份公司  
2020.10.01

*赵小萌*

However, at the time of this audit, the company has not purchased FSC certified pulp (the purchase invoice doesn't include FSC claim). The

	implementation of the action plan needs to be checked in future audit.
<b>Summary:</b> Based on the action plan developed by the company, it gives reference to the certified pulp and plans to increase 5% of the purchase FSC certified pulp annually in the future.	

11. Reduction of Greenhouse Gas (GHG) Footprint by Recognizing the importance of forests and peatlands as carbon storehouses	
Indicators	Findings
11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The producer has developed a procedure to evaluate their suppliers' performance in reducing GHG.</p> <p>At the time of this audit, the company provided Sappi and Cosmo's GHG reduction action plan from their websites.</p> <p>No evidence is provided from AustroCel, Raynoier and Sichuan Tianzhu</p>
11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The company developed the procedure require suppliers to provide their sourcing information and documents up to the forest level. During the audit , no forest level evidence is provided from the suppliers. There is currently no evidence of sourcing from tropical peatlands.</p>
11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p><b>Description of the finding:</b></p> <p>No procedures were in place at the time of onsite audit.</p>

**Summary:**

The producer has developed a procedure to evaluate their suppliers' performance in reducing GHG. At the time of this audit, the company provided Sappi and Cosmo's GHG reduction action plan from their websites. No evidence is provided from AustroCel, Rayonier and Sichuan Tianzhu. The company developed the procedure require suppliers to provide their sourcing information and documents up to the forest level. During the audit, no forest level evidence is provided from the suppliers.

**12. Pollution Prevention**

Indicators	Findings
<p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. 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>	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"><li><input checked="" type="checkbox"/> Not Applicable</li><li><input type="checkbox"/> Commitment Met</li><li><input 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>The CanopyStyle audit will not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p> <p>The organization exclusively use lyocell technology to make viscose staple fiber which is confirmed by onsite visit (production line, dissolvent recycling workshop, warehouse of dissolvent,) and interviews of staff at production and technology department).</p> <p>The bookkeeping records of the dissolvent C5H11NO2 were checked in warehouse.</p> <p>There is no need of pre-treatment of pulp, therefore there is no consumption of water and alkali.</p> <p>The dissolvent C5H11NO2 is in cycle use, the rate of recycling of this dissolvent can reach 99.7%.</p>
<p><b>Summary:</b> The organization exclusively use lyocell technology to make viscose staple fiber.</p>	

\*\* Indicates Critical Indicators

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

### 1. Evaluation of Participating site: Lyocell Mill of the company

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Wang Kuo, Brand Manager
<b>Auditor(s):</b>	Gaojun Zhao, Peiying Zhou
<b>People Interviewed, Titles:</b>	Mr. Ji Liuyan, vice director of Marketing Dept. Mr. Wang Kuo, Brand Manager, Brand Dept. Mr. Zhang Dong, Technology Dept. Mr. Zhang Qiming, Labor Union Ms. Zhao Xiaomeng, Purchasing Dept. Mr. Hao Siyuan, Warehouse
<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 Lyocell fibre 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>4 trainings were conducted among relevant staff in the company from August – September 2020.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of</p>

	ancient and endangered forests and controversial sources.
1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<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 Company shared the standard operational procedure (Pulp sourcing manual) with the viscose mill that ensures the wood sourcing policy is implemented.</p> <p>The material from different suppliers can be clearly identified with ERB system.</p>
<p><b>Summary:</b> Wood pulp procedure has been established and public on the website of the Company. Trainings were on related procedures and Wood Sourcing Policy has been held. The managers are aware of the policy and procedures.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill does not involve in sourcing wood pulp sourcing.</p> <p>The material receipt and product delivery are documented at the purchase dept., such as bill of lading, product delivery note. The production workshop and warehouse maintain records of the input volume of pulp from different suppliers every day. The warehouse keeps the records of production delivery.</p>
2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<p><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>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b>  <p>The mill has no sourcing activity of wood pulp.</p> <p>The purchase dept. maintains the delivery documents of wood pulp, such as bill of lading. However, the forest of origin is not presented on these documentations.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<b>Conformance with Indicator:</b> <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  <b>Description of the finding:</b> <p>The mill has no sourcing activity of wood pulp.</p> <p>The sales and transport documents didn't have relevant certification information and claim before the policy adopted.</p> <p>At the time of the audit, no new procurement occurred.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<b>Conformance with Indicator:</b> <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  <b>Description of the finding:</b>  <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>	<b>Conformance with Indicator:</b> <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><b>Description of the finding:</b> The sales and transport documents didn't have relevant certification information and claim as well as forest of origin's information before or after the policy adopted.</p>
<p><b>Summary:</b> The mill is not involved in purchasing. The delivery documentations are maintained. The sales and transport documents didn't have relevant certification information and claim as well as forest of origin's information before the policy adopted. At the time of the audit, no new procurement occurred.</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></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, etc.  At the time of this audit, there is no news and information in the public domain that the organization is non-compliance with national and international laws. The Company has the valid certificates of the ISO9001:2015 quality system, ISO14001:2015 Environment Management System, OHSAS 18001:2007, FSC-COC, etc.</p>
<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p><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 mill has no sourcing activity of wood pulp.</p>

	<p>By interviews, the management staff of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>Compliance with the commitment has not yet been confirmed. No new procurement occurred after the policy adopted.</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 risk assessment was conducted by sourcing office at 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 of the checklist for Corporate Sourcing (headquarters)</p>
<p><b>Summary:</b> The interviews with the management indicates they were aware all relevant laws and regulations. At the time of this audit, there is no news and information in the public domain that the organization is non-compliance with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the HQ's sourcing office.</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>



	Detailed findings please refer to section 1 of the checklist for Corporate Sourcing (headquarters)
<b>Summary:</b> Detailed findings please refer to section 1 of the checklist for Corporate Sourcing (headquarters)	

**7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.**

Please refer to assessment for section 7 under Annex A for this indicator.

**Summary:** The mill and HQ (including purchasing department) are all located together.

Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. Some supplier provided its procurement policy that includes a commitment to source wood fibre that come from forests where the customary, traditional or civil rights of people are upheld.

All suppliers are FSC or PEFC certified companies and the supplier AustroCel Hallein is OHSAS 18001 certified, which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. The Company does hold FSC certification.

## 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.

### Recommendations for China Textile Academy for continuous improvement

March 1, 2021

Canopy applauds China Textile Academy (CTA) for completing its first CanopyStyle audit. The audit demonstrates that CTA is making efforts to implement its CanopyStyle policy, including disclosure of suppliers and efforts to investigate and address suppliers of unknown or potential risk. While the audit cannot fully confirm low risk, it shows CTA is starting to engage with suppliers, and increase in the use of FSC certified fibre for MMCF production.

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

- Insert compliance with CTA policy requirements into contracts with dissolving pulp suppliers and/or develop and use other incentives to secure compliance (e.g. requiring pulp suppliers to develop and use policies, action plans and/or risk mitigation procedures)
- Develop/update the company's risk assessment procedures to include evaluation of potentially controversial sources related to legality, conversion of forests after 1994, GMOs, and human and traditional rights.
- For suppliers with unknown or potential risk of sourcing from areas of Ancient and Endangered forests or other controversial sources, engage dissolving pulp suppliers, with Canopy's support, to gain clarity on risk level and develop risk mitigation measures and work towards elimination of all risk.
- Establish and use ongoing monitoring/due diligence system to check and ensure suppliers are conforming with sourcing policy and/or taking specific steps (e.g. developing and implementing action plan) to do so
- Source dissolving pulp from FSC certified forestry operations so as to address potential risks identified through the audit
- Develop an action plan for increasing the amount of FSC fibre used, with preference for fibre from FSC certified forests (FSC 100%). Prioritize getting FSC certified fibre with claims for bamboo.
  
- Adopt ambitious targets for increasing the use of Next Generation alternative fibres in a commercially competitive way, and develop and implement an internal action plan to achieve this;
- With support from Canopy, support advocacy actions for the conservation of key priority forest regions;

- 
- Adopt best in class processing technologies. Work with experts in the field to implement pollution control technologies to limit their impact. Implement the new ZDHC MMCF guidelines for chemical management (once available for lyocell), which give suppliers unified criteria for measuring output indicators like wastewater, sludge, air emissions and other process- related parameters.

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

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

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