

## TABLE OF CONTENTS

INTRODUCTION _____	3
1. GENERAL DESCRIPTION _____	4
2. EVALUATION SCOPE _____	5
3. EVALUATION PROCESS _____	6
4. EVALUATION RESULT _____	8
Appendix A: standard checklist (CanopyStyle Verification Framework – Corporate Sourcing) _____	18
Appendix B: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 1 Checklist) _____	49
Appendix C: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 2 Checklist) _____	55
Appendix D: RECOMMENDATIONS FOR IMPROVEMENT _____	62

## 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 *Tangshan Sanyou Group Xingda Chemical Fibre Co.,Ltd* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 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 500 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

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

---

<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

Tangshan Sanyou Group Xingda Chemical Fibre Co. Ltd is one of the worlds’ five largest manufacturers of man-made cellulosic fibre by production capacity. It is a subsidiary of Tangshan Sanyou Group, which owns 13 subsidiary companies, such as Alkali Industry, Sanyou Chemical, Sanyou Chlor-alkali, Sanyou Silicon, etc, and its main products are soda ash, viscose staple fibre, and PVCs, etc.

The Company owns a sub-company - Tangshan Sanyou Yuanda Chemical Fibre Co. Ltd, two manufacturing mill sites - Xingda mill and Yuanda mill, both located in Tangshan city, China. The total annual productivity is 800,000 tons, products include high whiteness fibre for non-woven, color fibre, modal fibre, fine denier fiber (1.2D\*38mm) and bamdal fibre, etc. The Company is FSC CoC certified (SGSHK-COC-330228), also certified against ISO 9001, ISO 14001, OHSAS, EU BAT, STeP, RCS and OEKO-TEX.

The company has been participating in the CanopyStyle Initiative since 2015 and underwent first audit in December 2016. The second audit took place in 2019.

Since 2014, the company has been using Lyocell technology on a limited basis, and this now constitutes 1% of production volume (8,000 tons). The Lyocell process recycles more than 99.6% of solvent used, and reduces air emissions and solid waste.

**Two mills:**

**Xingda Mill**

There are 1,848 employees working in the factory. The facilities are equipped with totally automated process control systems, and consists of 6 lines with a total production capacity of 180,000 t/a. The Company is also processing anhydrous sodium sulfate which is widely used in the detergent, glass, textile dyeing, and pulp and paper industries in the domestic as well as international market.

**Yuanda Mill**

There are 3,372 employees working in the factory. The facilities are equipped with totally automated process control systems, and consists of 8 lines with a total production capacity of 620,000 t/a. The Company is also processing anhydrous sodium sulfate which is widely used in the detergent, glass, textile dyeing, and pulp and paper industries in the domestic as well as international market.

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

Name/Description of sites	Location
Tangshan Sanyou Group Xingda Chemical Fiber Corporate Office	Tangshan, Hebei province, China
Xingda Mill	North of Dongrongda avenue, Chuangye Rd, Nanbao Development Zone, Tangshan, Hebei province
Yuanda Mill	No 5, Xiwang Rd, Nanbao Development Zone, Tangshan, Hebei province



### 1.3 Company sourcing policy

The Company made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective in 2015), and committed to:

- Conserve Ancient and Endangeocie16.92 3udA

Tangshan Sanyou Group Yuanda Chemical Fibre Co.,Ltd	West of Xiwang RD, Nanpu Development Zone, Tangshan City, Hebei Province, China
---	---

### 3. EVALUATION PROCESS

#### 3.1 Audit Team

Auditor name(s)	Qualifications
Zhou Peiying	Responsible Sourcing Specialist; CanopyStyle auditor; Qualified LegalSource auditor; Experienced in mainstream sustainability practises including sectors of pulp/paper, textile and timber, etc. 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.

## 3.2 Audit Overview

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

## 3.3 Description of Overall Audit Process

### **Desktop audit to the corporate office:**

The audit officially started in October 2022. The auditor started contacting the Company by requiring relevant documentation based on the latest CanopyStyle audit guidelines and framework.

sourcing requirements from Canopy as required, etc. details please refer to the report findings.

#### **Short notice audit to the viscose mills:**

Preferred by Nature announced the short-notice audit on 13 February 2023. The auditor sent out the short-notice audit plan 18 hours prior to the arrival as per CanopyStyle audit requirements.

In the morning of 14<sup>th</sup> February, the auditor started the onsite audit with an opening meeting with the presence of top management and the key staff in all departments as well as from the production sites. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were introduced by the auditor. Also, the management representative gave a brief introduction of the Company and operation activities it involves.

Following the opening meeting, the auditor interviewed the management team on the practices and strategic plan on Canopy policy commitment.

After interviews, related documents were reviewed, such as Wood Fibre Sourcing Policy and operational procedures, purchase documents (invoices, packing list, bill of lading etc.), Risk Assessment Reports, Training Plan and records, communication with the suppliers, etc.

Then, the auditor toured the company's two mills including the production line and warehouse.

In combination with reviewing documents and visiting the company's facilities, the auditor interviewed the staff from various departments: production, warehouse, R&D, HR, supplying/purchasing, labour union, etc.

The closing meeting was held at the office with the presence of the management team. During the meeting the main findings were presented and explained to the Company.

Additional evidence documents again was required for further evaluation.

After one week from the on-site visit, the Company sent over their last batch of documents accordingly.

## **4. EVALUATION RESULT**

### **4.1 Evaluation Conclusion**

#### **Positive Findings:**

The Company has developed and has been implementing the sourcing a1(onging a-16(o)a27(e1a6(d)39(ito)-

During the audit period, the Company provided several training sessions to the staff at different levels.

The Supplying Department is responsible for document collection, communication with the suppliers. 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 Company has completed the internal risk assessments to its supply chains with the support from ForestMapper, advice note on Ancient & Endangered forests, Dissolving Pulp Classification Tool as well as evidence collected from all suppliers. In the meantime, the suppliers list has been publicly published on the Company's website.

The Company has required its suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector.

The Company has been working with innovative companies and suppliers in developing viscose fiber product by using recycled fibers. Those innovative products have been entering into market.

#### **Areas for Improvement:**

The Company communicated the sourcing requirements to all suppliers, however, not all contracts included the requirements on implementation of the Policy. What's more, some of the commitment letters duly signed with suppliers in compliance with the Company's sourcing policy was dated back in 2016, which is too old to be accepted. Some of the contracts were signed with traders instead of the pulp suppliers directly, such as Caima, Sodra, Rayonier.

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, and during this audit some suppliers still didn't disclose the origins' information, but still at the dissolving pulp location. Therefore, origin of material for these suppliers is only known at a country level, creating a broad sourcing area with potential overlap with ancient and endangered forests.

A vast majority of the pulp suppliers provided evidence such as sustainability reports introducing their efforts in recognizing, respecting and upholding human rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector. However, no evidence is provided from the forest level supplier, given that forest level suppliers info is not disclosed.

The Company has given preference on FSC intake, however, it should be noted that at present only 0.1 percent of their volume comes from FSC 100%, and 10.3% from FSC Mix (see Table 4.3 below). No action plan was provided during 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. Below please find the results comparison between the company internal risk assessment conducted at the end of 2021 and the Canopy Dissolving Pulp Classification Tool:

Note: According to the Company, risk assessment is conducted on a yearly basis (at beginning of each year). Currently the risk assessment results provided during this audit is meant for the year 2021. Risk assessment for 2022 shall be conducted in the beginning of 2023.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Södra	<b>Grade A:</b> no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Caima	<b>Grade A:</b> no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
AustoCel Hallein	<b>Grade A:</b> no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Phoenix	<b>Grade B:</b> suppliers that cannot e13.	

AVN(Birla AV cell ) Nackawic Mill		audit.
Rayonier Temiscaming	<p><b>Grade B:</b> suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.</p>	<p>Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required.</p>
Cosmo	<p><b>Grade A:</b> no sourcing risk</p>	<p>Audit report can be found here: <a href="#">Cosmo CanopyStyle Report.pdf (preferredbynature.org)</a></p>
ARAUCO	<p><b>Grade A:</b> no sourcing risk</p>	<p>No sourcing issues identified based on current information and/or CanopyStyle audit.</p> <p>Conflict has been documented between the local Indigenous people (Mapuche) and forestry</p>



Fujian Qingshan Paper  
Co.,Ltd

**Grade A:** no sourcing  
risk

N/A  
Bamboo pulp only. Both FSC 100%

	any identified non-conformance and grievance received. **	
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment in Progress</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment Met</i>
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment in Progress</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment in</i>

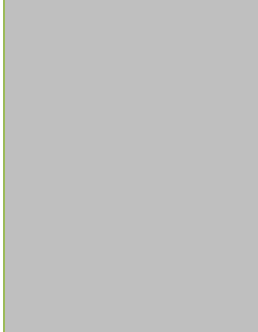
sources have been eliminated	carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	
	4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	<i>Commitment in Progress</i>
	4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	<i>Commitment Met</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

supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may excutre the conservation planning and FSC certification themselves)

third party, and made public. \*\*



6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands

<p>wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.</p>		
	<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **</p>	<p><i>Commitment in Progress</i></p>
	<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer 's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p><i>Commitment in Progress</i></p>

<p>8. Development of Innovative and Alternative Fiber</p>	<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **</p>	<p><i>Commitment Met</i></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><i>Commitment Met</i></p>
<p>9. Voluntary advocacy for conservation solutions</p>	<p>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. **</p>	<p><i>Commitment in Progress</i></p>
	<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **</p>	<p><i>Not Applicable</i></p>
	<p>9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p><i>Commitment Met</i></p>
	<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **</p>	<p><i>Insufficient Information Available</i></p>
<p>10. Responsible forest management</p>	<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **</p>	<p><i>Commitment in Progress</i></p>
<p>11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses</p>	<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p><i>Commitment Met</i></p>
	<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p><i>Commitment in Progress</i></p>
	<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on</p>	<p><i>Commitment in Progress</i></p>

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

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

Reporting period: 31-Jul-2021 to 31-Jul- 2022

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	96,770	18.9%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	52,950	10.3%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	500	0.1%
Non-FSC	Material received with no FSC claim.	351,084.47	68.6%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	10,500	2.1%

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

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

## 1. Evaluation of Site: Corporate Office

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Zhou Shengwei, Supplying Department
<b>Auditor(s):</b>	Zhou Peiyong
<b>People Interviewed, Titles:</b>	Mr. Yao Zhigao, Vice General Manager, R&D Department Mr. Zhang Jing, Vice Director, HR Department Mr. Ma Hui, Assistant Manager, Supplying Department Mr. Zhou Shengwei, Supplying Department
<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> The Company's 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 the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p><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 2015). The Fibre Procurement Policy has been updated and signed based on the latest version of the fiber policy issued from Canopy on Oct 2022 and posted on the website: _____  _____ (<a href="http://ts-sanyou.com.cn">ts-sanyou.com.cn</a>)</p> <p>The interview with the executive and key managers confirmed senior management team were well informed the definition of ancient and endangered forests and other controversial sources and were fully committed to implement Canopy purchase policy.</p>

<p>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>  The Company has developed the operating manual for the implementation of Canopy sourcing policy Pulp Procurement Policy Manual, where the suppliers are subjected to the monitoring and evaluation from the company.</p> <p>The operating manual is composed of several segments including: organizational chart for implementing the policy, responsibilities of related personnel, management standard for both dissolving pulp suppliers as well as forests of origin, dissolving pulp supplier evaluation standard, procedures on dealing with complaints.</p> <p>The operating manual is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p><b>Conformance with Indicator:</b>  <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>  Mr. Zhang Dongbin, deputy general manager, has the overall responsibility for sourcing policy implementation. According to the operating manual for the implementation of Canopy sourcing policy_Pulp Procurement Policy Manual, the whole company is encouraged and required to taking part in fulfilling the commitment on the implementation of the fiber procurement policy, among which the Supplying Department, as a major role, is assigned and responsible for the implementation of the policy. The responsibility of implementing the policy is included in Company structure and responsibility division.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<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</p>

	<p><b>Description of the finding:</b> The Company's organizational structure for implementation of policy has been shared with the auditor. Please refer to 1.3 for more findings.</p> <p>Interviews found all relevant staff were aware of Canopy policy and their responsibility.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The interview with the Supplying Department showed that the company had communicated the commitment to all their suppliers via phone calls (Chinese domestic suppliers) as well as via emails (overseas suppliers). Samples of the communications to suppliers were provided to the auditor during the audit.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

	<p>issue and will revise them with an up-to-date version for the next audit.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company developed the supplier performance monitoring procedure compiled in the Pulp Procurement Policy Manual for the suppliers, including dissolving pulp supplier management standard, dissolving pulp supplier evaluation standard, and forest management standard, etc. Within these standards, monitoring frequency, monitoring methods (documentation collection, ForestMapper, Dissolving Pulp Classification Tool, etc).</p> <p>Based on the procedure, the supplier must comply with Canopy requirement and only supplier graded with non-high risk level will be accepted. The performance of active suppliers has been being monitored annually. All suppliers are graded as one of the 4 categories:</p> <ul style="list-style-type: none"> <li>- <b>Grade A:</b> no sourcing risk</li> <li>- <b>Grade B:</b> suppliers that cannot be identified with sourcing risk but are sure that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.</li> <li>- <b>Grade C:</b> suppliers identified with known risk. Action plans will be developed to help them convert into and/or get close to Grade A.</li> <li>- <b>Grade D:</b> suppliers identified harvesting from high profile areas. Cooperation to be put on hold with below considerations: <ul style="list-style-type: none"> <li>i. Whether collaborate with Canopy and/or any independent local community / stakeholders to develop science-based conservation options</li> </ul> </li> </ul> <p>Whether implement time-bound action plans which are aiming at addressing and mitigating the identified risks.</p> <p>The identified non-compliance will be announced to the suppliers. The Company previously set up the deadline on mitigation actions with supplier as 6 months, and recently, the Company has been adjusting to see whether to continue cooperation based on the actual mitigation/correction performance. There has been no supplier detected as high risk supplier since last audit, according to the Company's own risk assessment.</p>

	<p>The monitoring results are concluded based on the documents collected from the suppliers as well as other tools such as Forest Mapper and the Dissolving Pulp Classification Tool.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The grievance procedure has been compiled into the Pulp Procurement Policy Manual, which is provided to the auditor. According to the grievance procedure, any complaint/ grievance can be submitted to the company via email. Once the complaint/ grievance is received, responsible personnel (designated from the Supplying Department) will take care of as well as document the complaint/ grievance and report to the management team. The management team will conduct investigation and provide feedback/solution/action plan. The performance of the solution will also be provided, in addition. The company is FSC certified which requires a grievance procedure as well.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that addresses any identified non-conformance and grievance received.**</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>Based on the supplier performance monitoring procedure compiled in the Pulp Procurement Policy Manual, the supplier must comply with Canopy requirement and only supplier graded with non-high risk level will be accepted. The performance of active suppliers has been being monitored annually.</p> <p>The identified non-compliance will be announced to the suppliers. The Company previously set up the deadline on mitigation actions with supplier as 6 months, and recently, the Company has been adjusting to see whether to continue cooperation based on the actual mitigation/correction performance.</p> <p>According to the grievance procedure, any complaint/ grievance can be submitted to the company via email. Once the complaint/ grievance is received, responsible personnel (designated from the Supplying Department) will take care of as well as document the complaint/ grievance and report to the management team. The management team will conduct investigation and provide</p>

	feedback/solution/action plan. The performance of the solution will also be provided, in addition.
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></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>  Three trainings were conducted within the reporting period on the policy and Canopy requirement before the audit. Training records are provided to the auditor:  - 14:00-17:00, May 25, 2021, Supplying Department  - 14:00-17:00, May 25, 2022, Supplying Department  - 14:00-17:00, 1 Jun, 2022, Viscose workshop  The interview with the representative from the production department confirms that they are aware of the policy and are implementing it.</p>
1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The management operational manual developed by the group headquarters is shared with the viscose mills.   Interview with the key managers confirmed that they are aware of and implementing the management operational manual</p>
<p><b>Summary:</b>  The Company has developed a fibre sourcing policy with supporting procedures for implementation of Canopy requirements and conducted training. The sourcing policy is made available on the company's website and communicated to the dissolving pulp suppliers. Capacity and organizational structure were established to ensure the implementation.  Some suppliers signed and confirmed the commitment to the implementation of the Policy, however these commitment letters were signed back in 2016 which were too old to be accepted. Contract samples are provided to the auditor with added requirement on the implementation of the policy, still, not all contracts included relevant requirements.  The company conducted evaluation and provided the monitoring result on the compliance performance.</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 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company has identified all raw material inputs by volume as required. The company provided the sourcing information form which includes information such as suppliers info (including trader), percentage of total input from each pulp supplier, species info, forest origin (up to regional / country level), volume info, certification status of purchased pulp, output product name, etc The dissolving pulp mills as well as traders on the supply chain are identified. The supply chains are mapped back to sub-regional or country level, However, FMUs' info is not provided.</p>
<p>2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.</p>	<p><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 provided its pulp suppliers management operational manual which aims at avoiding purchase raw materials from HCV, HCS forest, ancient and endangered forest or endangered species habitat forest, any controversial sources, as well as requires that all suppliers respect the indigenous people and FPIC as well as the worker's rights.</p> <p>The company conducted the risk assessments to all suppliers within the reporting period by combining the information collected from suppliers, using ForestMapper as well as the Dissolving Pulp Classification Tool to define whether there are A&amp;E forests involved in sourcing. The company also expanded the evaluation criteria with additional criteria including:</p> <ul style="list-style-type: none"> <li>- whether CITES species are involved</li> <li>- whether timber is from countries that are under sanctions</li> <li>- Whether conflict timber is used</li> <li>- Whether GMO species is used</li> <li>- Whether timber is from plantation that is converted from natural forests</li> <li>- Whether human rights of communities are recognized, respected and upheld</li> <li>- Whether efforts are taken in reducing GHG reduction</li> </ul>

	<p>The risk assessment results for all suppliers are provided to the auditor.</p>
<p>2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p><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 provided a suppliers list. The dissolving pulp mills as well as traders on the supply chain are identified.</p> <p>According to the company assessment results, all suppliers disclosed forest level information except Lenzing Biocel, however, during the documents review, forest level information for the following suppliers was not available to the auditor:</p> <ul style="list-style-type: none"> <li>- Arauco</li> <li>- Stora Enso</li> <li>- Austrocel Hallein (only mentioning 97% sourcing from Austria and Germany)</li> </ul> <p>The following suppliers only disclosed the map to a sub-regional level:</p> <ul style="list-style-type: none"> <li>- Rayonier Temiscaming</li> <li>- Rayonier (Jesup Mill and Fernandina Mill)</li> </ul> <p>The following suppliers has provided forest level info:</p> <ul style="list-style-type: none"> <li>- Caima</li> <li>- Port Wentworth</li> <li>- Phoenix</li> <li>- Sun Paper (Shandong, Honghe and Laos)</li> </ul> <p>For Sun Paper, three mills provided same information on forest of origin near Albany region from Australia, where no ancient and endangered forests as well as IFLs are detected. However, according to the Dissolving Pulp Mill Classification Tool, Sun Paper Laos is graded as: <i>in a region that contains IFL and where deforestation is a threat. Further sourcing information and/or auditing required.</i> Through interviews, the Company responded that they will conduct further verification on this issue, ask for clarification and even pay visit to the mill for verification.</p> <ul style="list-style-type: none"> <li>- Sodra</li> <li>- Fujian Qingshan</li> <li>- Juntai</li> <li>- AVC and AVN</li> </ul> <p>For Cosmo, please refer to the latest CanopyStyle audit report for detailed findings in the summary section of this report.</p>

	<p>Since not all supplier disclosed their upper stream supply chain info, this indicator is graded as in progress.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the 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>According to the Company, the assessment is updated every year. During the audit this time, the evidence and the assessment for this reporting period was provided to the auditor, yet has not been shared with Canopy. The company is also willing to share with the Leaders Group.</p>

2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.

Insuffici

**Conformance with Indicator:**

Not Applicable

Commitment Met

Commitment in Progress

Commitment Not Met

Insufficient Information Available

**Description of the finding:**

In the supplier management operation manual developed for evaluating the dissolving pulp supply,



The company provided their suppliers list. The dissolving pulp mills on the supply chain are identified.

However, not all suppliers provide the full and exact forest or plantation of origin.

In the supplier management operation manual developed for evaluating the dissolving pulp supply, additional criteria are added to complete the risk assessment, however, no evidence showed legality related risks have been evaluated. Since some of the pulp were purchased as non-certified, legality related risks evaluation shall be actually conducted in the next audit.

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

3. No conversion of natural forest to plantations	
Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate.**	<p><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>No solid evidence provided from the Company as well as from the suppliers, except their FSC or PEFC certificates.</p> <p>Since there are FSC Controlled Wood, FSC Mix certified, FSC 100% certified as well as non-certified materials were supplied to the Company, this indicator is graded as Commitment in Progress.</p> <p>Kindly note:</p> <ul style="list-style-type: none"> <li>- The only forest certification which guarantees no conversion after 1994 is FSC 100%.</li> <li>- PEFC certification at the forest level or in the supply chain does not preclude material originating from plantations.</li> <li>- FSC controlled wood does not necessarily exclude material originating from plantations established after 1994.</li> <li>- FSC Mix Credit pulp, some portion of the supplier's procurement would originate from FSC-certified forests, which meet this requirement. However, some portion would originate from as controlled material, which does not necessarily preclude sourcing from plantations established after 1994.</li> </ul>

	- For the non-certified pulp, no information on origin was provided, therefore there is insufficient evidence to determine that this material does not originate from plantations established after 1994.
<p><b>Summary:</b>          No solid evidence provided from the Company as well as from the suppliers, except their FSC or PEFC certificates. (insert: what portion of the supply does this represent)</p> <p>Since there are FSC Controlled Wood, FSC Mix certified, FSC 100% certified as well as non-certified materials were supplied to the Company, this indicator is graded as Commitment in Progress.</p>	

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

Indicators	Findings								
4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as “ancient & endangered forests,” “intact forest,” “natural forest,” “endangered species,” “controversial sources,” “high conservation value,” “high carbon area,” “peatlands,” etc. that are consistent with this document and the forest sourcing policy template.**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available								
4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share with the Leaders Group.**	<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>          The Company’s internal risk assessments to all suppliers have included identifying ancient and endangered forests as well as controversial sources requirements.          According to the Company:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>Supplier</th> <th>Company Risk Assessment</th> </tr> </thead> <tbody> <tr> <td>Södra</td> <td><b>Grade A:</b> no sourcing risk</td> </tr> <tr> <td>Caima</td> <td><b>Grade A:</b> no sourcing risk</td> </tr> <tr> <td>AustoCel Hallein</td> <td><b>Grade A:</b> no sourcing risk</td> </tr> </tbody> </table>	Supplier	Company Risk Assessment	Södra	<b>Grade A:</b> no sourcing risk	Caima	<b>Grade A:</b> no sourcing risk	AustoCel Hallein	<b>Grade A:</b> no sourcing risk
Supplier	Company Risk Assessment								
Södra	<b>Grade A:</b> no sourcing risk								
Caima	<b>Grade A:</b> no sourcing risk								
AustoCel Hallein	<b>Grade A:</b> no sourcing risk								

	Phoenix	<b>Grade B:</b> suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A
	Store Enso	<b>Grade B:</b> suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.
	Port Wentworth	<b>Grade A:</b> no sourcing risk
	AVC(Birla AV cell) Atholville Mill & AVN(Birla AV cell ) Nackawic Mill	<b>Grade A:</b> no sourcing risk
	Rayonier Temiscaming	<b>Grade B:</b> suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.
	Cosmo	<b>Grade A:</b> no sourcing risk
	ARAUCO	<b>Grade A:</b> no sourcing risk
	Lenzing Paskov	<b>Grade A:</b> no sourcing risk
	Rayonier Fernandina Mill (F) &	<b>Grade A:</b> no sourcing risk

Rayonier Jesup Mill(J)	
Shandong Sun paper (Yanzhou & Honghe)	<b>Grade A:</b> no sourcing risk
Sun paper (Laos)	<b>Grade A:</b> no sourcing risk
Hunan Juntai New Material Technology Co., Ltd.	<b>Grade A:</b> no sourcing risk
Fujian Qingshan Paper Co.,Ltd	<b>Grade A:</b> no sourcing risk





- Commitment in Progress
- Commitment Not Met
-



	<p>and any observations could be reported to the auditor freely.</p> <p>This indicator is graded as “Not Applicable” due to the fact that no such practice has happened 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> <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>This indicator is only required when the company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>

6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities,

identify and assess risks to the environment and human rights, and develop and implement a risk management plan to address these risks. \*\*

Commitment 6 (n) 16 (s) (Pro) - 18 (gr) 40 (ess) JET 309.975 599.355 10.38 - 10.38 re SBT 321.4-18 (816 Td) [ C ] - 15 (omm) 28 (itm) 15 (437 JET ) 16 (

	This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.
<p><b>Summary:</b></p> <p>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</p>	

**7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector**

*Note: This audit focuses only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.*

Indicators	Findings
7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **	<p><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 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. The requirement is also included in the Company's Pulp Procurement Policy Manual.</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><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>All overseas pulp suppliers provided either statement, policy, latest sustainability report or latest annual report introducing their commitments and/or efforts in recognizing and respecting human rights, community rights, First Nations rights and rights of workers.</p>

	<p>Pulp suppliers from China as well as Chinese Traders and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which include requirements on recognize and respect human rights and workers' rights.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</p> <p>There are FSC Controlled Wood, FSC Mix certified, FSC 100% certified (though only 0.1% of volume) as well as PEFC certified pulp supplied to the company. Certification partially covers the requirements regarding recognition and respect of human rights, community rights, First Nations rights and rights of workers. In addition, there are also non-certified pulp supplied to the company where none of these requirements could be met. Therefore, this indicator is considered as commitment in progress.</p>
<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company is FSC certified and also has a public grievance operation procedure featured for Canopy to accept and handle complaints.</p> <p>There were FSC and PEFC certified pulp supplied to the company which meet these requirements as FSC COC certification requires certified companies to have such a mechanism for their scope. PEFC certificate also requires a complaints mechanism and resolution.</p> <p>In addition, there was also non-certified pulp supplied to the company where the requirements cannot be confirmed to be met.</p> <p>This indicator is considered as commitment in progress.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p>

**Description of the finding:**

This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union, HR Department, Environment Protection Management Department, Safety Management Department. The HR policies and procedures samples were also provided to the auditor.

The company is FSC COC certified which requires the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work.

It holds a valid Occupational Health and Safety Management System Certificate (ISO45001:2018); all workers have signed labour contracts and the company pays for their social insurance. Salary records are checked by the auditor.

A majority of the pulp suppliers provided their sustainability report / annual report/ statement in which they introduced their efforts in recognizing and respecting the rights of their workers.

Pulp suppliers from China as well as traders from China and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.

No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.

Since not all suppliers provided certified pulp, this indicator is considered as commitment in progress.


Note: For FSC COC certified companies are required to

	<p>Organization on workers' rights and the workplace has been included in the Operational Manual.</p> <p>All pulp suppliers are either PEFC or FSC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>Pulp suppliers from China as well as Chinese Traders and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</p> <p>Since not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p><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>All pulp suppliers are either PEFC or FSC certified companies and which could provide a high level of confidence that recognition and respect for human rights is upheld via certification requirements.</p> <p>Pulp suppliers from China as well as Chinese Traders and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</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></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>A majority of pulp suppliers provided either statement, latest sustainability report or latest annual report introducing their commitments and/or efforts in recognizing and respecting human rights, community rights, First Nations rights and rights of workers.</p> <p>Pulp suppliers from China as well as traders from China and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier.</p>	

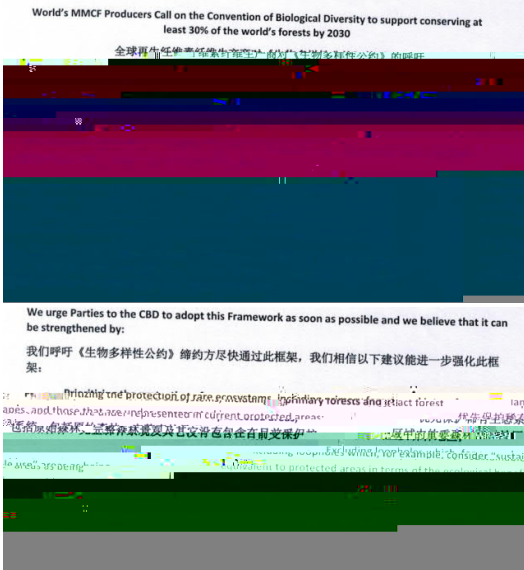
**8. Development of Innovative and Alternative Fiber**

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 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>1, The Company has been importing from a Swedish company Re:newcell for 100% recycled pulp (composed of pre-consumer recycled material as in by-products/leftover from spinning and weaving as well as post-consumer recycled material extracted from old clothes, textiles, etc) to create viscose.</p> <p>The document review revealed that the product shown on the Chinese customs declaration is cotton linter, while the invoice and shipping documents indicated the product traded is circulose pulp (3 batch of shipping documents checked during the audit:</p> <ul style="list-style-type: none"> <li>- One indicated circulose pulp only</li> <li>- One indicated circulose pulp made of 100% recycled post-consumer cotton</li> <li>- One indicated circulose pulp made of both 100% recycled post-consumer cotton and 100% recycled pre-consumer cotton.</li> </ul> <p>The Company confirmed during the audit that the material is not cotton liner. There seems to be some typo or issues in typing in the customs declaration system.</p> <p>Below is the fiber produced using the imported pulp from Re:newcell:</p>

2, The Company has imported from Sodra for

	<p>post-consumer cotton for the viscose fiber production. Currently, the Company is able to test the recycled post-consumer cotton up to 45%.</p> <p>Below is the fiber produced from the imported pulp from Sodra:</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 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> <ol style="list-style-type: none"> <li>1. The viscose product using 100% recycled pulp imported from Re:newcell has been entered into a commercial scale (around 1079 tons in 2022) but not in a mass production.</li> <li>2. The viscose product using mixed pulp imported from Sodra also has been entered into a commercial scale, and also not in a mass production (around 563 tons in 2022). The portion on post-consumer recycled cotton for the product trading on the market is 15% for the moment.</li> </ol>
<p><b>Summary:</b></p> <p>The Company has been importing from a Swedish company Re:newcell for 100% recycled pulp (composed of pre-consumer recycled material as in by-products/leftover from spinning and weaving as well as post-consumer recycled material extracted from old clothes, textiles, etc) to create viscose.</p> <p>The Company has been creating viscose product using this mixed pulp imported from Sodra. The pulp is mixed with recycled post-consumer cotton and mixed fiber from wood chips. Trials have been undertaking to increase the portion on recycled post-consumer cotton for the viscose fiber production. Currently, the Company is able to test the recycled post-consumer cotton up to 45%.</p> <p>Both two products have been entered into commercial phases.</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **</p>	<p><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>During the audit, no solid evidence provided. The company completed a Conservation Survey for 2022, and demonstrated an awareness of the status of ancient and endangered forests in Sweden, where one of their pulp mills sources its fibre.</p>
<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **</p>	<p><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 company has the commitment on Informed Consent of indigenous people and local communities included in its fiber policy and requires all suppliers to respect and comply with it. But since the company hasn't been prompted to or proactively involve in positively impact conservation and development solutions, this indicator is graded as Not Applicable.</p>
<p>9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p><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 signed the World's MMCF Producers Call on the Convention of Biological Diversity to support conserving at least 30% of the world's forests by 2030.</p>

	
<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **</p>	<p><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 type="checkbox"/> Commitment Not Met</p> <p><input checked="" type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> During the audit, no solid evidence provided.</p>
<p><b>Summary:</b> The company has signed the World's MMCF Producers Call on the Convention of Biological Diversity to support conserving at least 30% of the world's forests by 2030.</p>	

10. Responsible forest management	
Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **</p>	<p><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> The Company had purchased 121,608 tons of FSC certified pulp in 2020, which accounted for 20.44% of the total purchase. And in the year of 2021, the procurement on FSC certified pulp was 168,300 tons, and this accounted for 36.69% of the total purchase.</p>

	<p>The Company has made the commitment as of required in the Company's sourcing policy to preference on FSC certified materials.</p> <p>However, during the audit, no action plan was provided.</p>
<p><b>Summary:</b></p> <p>The Company had purchased 121,608 ton of FSC certified pulp in 2020. And in the year of 2021, the procurement on FSC certified pulp was 168,300 ton. The Company has made the commitment as of required in the Company's sourcing policy to preference on FSC certified materials. However, during the audit, no action plan was provided.</p>	

<b>11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses</b>	
<b>Indicators</b>	<b>Findings</b>
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has procedures to require the suppliers to provide evidence of reducing GHG, and this is required in the Pulp Procurement Policy Manual. Major contents cover: the objective of the procedures, scope of the procedures, evaluation cycle and evaluation criteria. No evidence on monitoring the procedure was provided.</p> <p>In addition, almost all pulp suppliers provided their sustainability report/annual report/sourcing policy, etc introducing their efforts in reducing the GHG.</p>
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p><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 developed the Pulp Procurement Policy Manual requiring suppliers to provide their sourcing</p>

	<p>information and documents up to the forest level. The company conducted internal risk assessment based on the evidence submitted by the suppliers. According to the evaluation results, the Company has categorized all suppliers into grade A (low risk on sourcing) and grade B (the sourcing risks are unknown, but no known risks identified. Further info required).</p> <p>Although there are FSC certified and FSC CW sourced material supplied to the Company, both FSC certified and FSC CW sourced material could be sourced from peatlands and IFLs.</p> <p>Note: FSC FM and CW/FM certifications do not prohibit harvesting in IFLs or from natural forest or plantations established on peatland. IFLs are classified as HCV under FSC and require protection but harvesting is allowed on percentage of area outside defined core areas. Peatland may be classified as HCV in certain contexts and conformance with Principle 9 is required. It can be also the case with FSC COC CW (DDS) to source from Peatlands and IFLs if the country does not prohibit this by legislation. So the final conclusion is that FSC 100% and FSC CW could be sourced from Peatlands and IFLs if it is not prohibited by the national legislation.</p>
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p><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>For all new suppliers, evaluations will be conducted before signing contracts. For current valid suppliers, new evaluations will be implemented if there is any change on the sourcing of origins.</p> <p>All suppliers are graded as one of the 4 categories:</p> <ul style="list-style-type: none"> <li>- <b>Grade A:</b> no sourcing risk</li> <li>- <b>Grade B:</b> suppliers that cannot be identified with sourcing risk but are sure that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.</li> </ul>

- **Grade C:** suppliers identified with known risk. Action plans will be developed to help them convert into and/or get close to Grade A.
- **Grade D:** suppliers identified harvesting from high profile areas. Cooperation to be put on hold with below considerations:
  - ii. Whether collaborate with

	Other tools such as the Hot Button report will address chemical management starting in 2020.
<p><b>Summary:</b> 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 CanopyStyle audit will not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p>	

\*\* Indicates Critical Indicators

## Appendix B: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 1 Checklist)

### 1. Evaluation of Site: Tangshan Shanyou Group Xingda Chemical Fibre Co.,Ltd

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Zhou Shengwei, Supplying Department
<b>Auditor(s):</b>	Ms. Zhou Peiyong
<b>People Interviewed, Titles:</b>	Mr. Zhang Dongbin, Vice General Manager Mr. Dong Zhanshuang, Vice Director, Production Department Mr. Ma Hui, Assistant Manager, Supplying Department Ms. Zhang Nan, Warehouse Mr. Zhou Shengwei, Supplying Department
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b>	This mill is responsible for viscose staple fibre production and storage of material and products.

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><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 policy was public on the company's website:  <a href="http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html">http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html</a></p> <p>The Company organized several training sessions on the policy and Canopy requirements before the</p>

	<p>audit. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
<p>1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**</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 shared the operating manual for the implementation of Canopy sourcing policy with the mill that ensures the wood sourcing policy is implemented.</p> <p>The material from different suppliers can be clearly identified with identification card.</p>
<p><b>Summary:</b></p> <p>Wood pulp procedure has been established and made public on the website of the Company. Trainings on related procedures and Wood Sourcing Policy has been held. The managers are aware of the policy and procedures.</p>	

<p><b>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.</b></p>	
Indicators	Findings
<p>2.1 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>.</p>	<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 contract and transport documents related to wood fibre inputs are documented at the supplying department. The production workshop</p>

	<p>and warehouse maintain records of the input volume of pulp from different suppliers.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</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 mill does not involve in sourcing wood pulp sourcing. Wood fibre inputs related transport documents are documented at the Supplying department in the corporate office.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p><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 dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment. The warehouse is located in Xingda mill. During the audit, below three dissolving pulp is stored:</p> <ul style="list-style-type: none"> <li>- Port Wentworth</li> <li>- Sodra</li> <li>- Sun Paper Laos</li> </ul>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p><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>  This mill has no sourcing activity of wood pulp.</p> <p>During the purchasing documents review, it's found that invoice issued between Sanyou HK and Xingda mill for Austrocel Hallein pulp HK carries no certificate claim and supplier code while the declaration in the sourcing info form as well as the shipping documents indicated the material is 100% PEFC certified. The mill explained that usually if the mill produced</p>

	<p>non-certified viscose fiber product, the purchasing invoice to the mill will not carry relevant certificate info. Auditor clarified with the mill that to ensure the purchased material is certified, the invoice from each tier must carry relevant certificate info, despite the lower stream products certificate status.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</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 mill has no sourcing activity of wood pulp. The corporate office's supplying department maintains the records of annual purchase and sales.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p><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>  During the audit, samples of trade and transport documents for outgoing products were provided to the auditor. Certificate info is shown on the documents when relevant.</p>
<p><b>Summary:</b>  The mill does not involve in purchasing. The delivery documentations are maintained. During the purchasing documents review, it's found that invoice issued to the Xingda mill for Austrocel Hallein from Sanyou HK carries no certificate claim and supplier code while the declaration in the sourcing info form as well as the shipping documents indicated the material is 100% PEFC certified. The mill explained that usually if the mill produced non-certified viscose fiber product, the purchasing invoice to the mill will not carry relevant certificate info. Auditor clarified with the mill that to ensure the purchased material is certified, the invoice from each tier must carry relevant certificate info, despite the lower stream products certificate status</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 plantations established before 1994**</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 risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A.</p>
<p><b>Summary:</b> The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.	
Indicators	Findings
<p>4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc. There is no news and info disclosed that the organize is non-compliance with national and international laws. The company holds a number of third-party certificates, most of which covers the compliance with applicable law, including:</p> <ul style="list-style-type: none"> <li>• ISO9001:2015 quality management system</li> <li>• FSC Chain of Custody</li> <li>• ISO14001:2015 Environment Management System</li> <li>• ISO45001: 2018 Occupational Health and Safety Management System</li> <li>• STANDARD 100 by OEKO-TEX® testing and certification system.</li> </ul>
<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not <b>receive</b> wood from Priority Ancient and Endangered forests,</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</p>

<p>as outlined in the <a href="#">Advice Note</a> and from controversial sources.</p>	<p><input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The mill has no sourcing activity of wood pulp.</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.  Corporate office has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 4 under Appendix A.</p>
<p>4.3 Production mills have conducted assessment of presence of presence of Ancient and Endangered forests, as outlined in the <a href="#">Advice Note</a> and other controversial sources in their wood supply areas.</p>	<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</p> <p><b>Description of the finding:</b>  The assessment was conducted by the Supplying Department at Corporate office.</p> <p>Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as outlined in the <a href="#">Advice Note</a> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<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</p> <p><b>Description of the finding:</b>  The assessment was conducted by the Supplying Department at Corporate office.</p> <p>Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p><b>Summary:</b>  The assessment was conducted by the Supplying Department at Corporate office.</p> <p>The interview with the management proves they were aware all relevant laws and regulations. There is no news and info disclosed that the company is non-compliant with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarter.</p>	

5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	
Indicators	Findings
5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p><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> Supplier performance monitoring program was conducted by the corporate office.</p>	
<p><b>Summary:</b> Supplier performance monitoring program was conducted by the corporate office.</p>	

## Appendix C: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 2 Checklist)

### 1. Evaluation of Site: Tangshan Shanyou Yuanda Fibre Co.,Ltd

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Zhou Shengwei, Supplying Department
<b>Auditor(s):</b>	Zhou Peiyong
<b>People Interviewed, Titles:</b>	Mr. Zhang Dongbin, Vice General Manager Mr. Dong Zhanshuang, Vice Director, Production Department Mr. Ma Hui, Assistant Manager, Supplying Department Ms. Zhang Nan, Warehouse Mr. Zhou Shengwei, Supplying Department
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b>	This mill is responsible for viscose staple fibre production.

## 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><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>            The policy was public on the company's website:  <a href="http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html">http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html</a></p> <p>The Company organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
1.2 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>            The Company shared the operating manual for the implementation of Canopy sourcing policy with the mill that ensures the wood sourcing policy is implemented.</p> <p>The material from different suppliers can be clearly identified with identification card.</p>
<p><b>Summary:</b>            Wood pulp procedure has been established and made public on the website of the Company. Trainings on related procedures and Wood Sourcing Policy has been held. The managers are aware of the policy and procedures.</p>	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.

Indicators	Findings
<p>2.1 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill does not involve in sourcing wood pulp sourcing.</p> <p>The contract and transport documents related to wood fibre inputs are documented at the supplying department. The production workshop and warehouse maintain records of the input volume of pulp from different suppliers.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill does not involve in sourcing wood pulp sourcing. Wood fibre inputs related transport documents are documented at the Supplying department in the corporate office.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p><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 dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment. Yuanda Mill is not responsible to pulp storage.</p>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the</p>	<p><b>Conformance with Indicator:</b></p>

<p>applicable third-party verification is included on sales and delivery documentation.</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 mill has no sourcing activity of wood pulp.</p> <p>During the purchasing documents review, it's found that invoice issued between Yuanda mill and Sanyou HK for Arauco pulp carries no certificate claim and supplier code while the declaration in the sourcing info form as well as the shipping documents indicated the material is FSC Mix Credit certified as well as FSC Controlled Wood sourced material. The mill explained that usually if the mill produced non-certified viscose fiber product, the purchasing invoice to the mill will not carry relevant certificate info. Auditor clarified with the mill that to ensure the purchased material is certified, the invoice from each tier must carry relevant certificate info, despite the lower stream products certificate status.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p><b>Conformance with Indicator:</b></p> <p> <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp. The corporate office's supplying department maintains the records of annual purchase and sales.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p><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>During the audit, samples of trade and transport documents for outgoing products were provided to the auditor. Certificate info is shown on the documents when relevant.</p>
<p><b>Summary:</b></p> <p>The mill does not involve in purchasing. The delivery documentations are maintained. During the purchasing documents review, it's found that invoice issued to the Yuanda mill for Arauco from</p>	

Sanyou HK carries no certificate claim and supplier code while the declaration in the sourcing info form as well as the shipping documents indicated the material is FSC Mix Credit certified as well as FSC Controlled Wood sourced material. The mill explained that usually if the mill produced non-certified viscose fiber product, the purchasing invoice to the mill will not carry relevant certificate info. Auditor clarified with the mill that to ensure the purchased material is certified, the invoice from each tier must carry relevant certificate info, despite the lower stream products certificate status.

**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 plantations established before 1994**</p>	<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 risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A.</p>
<p><b>Summary:</b></p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A.</p>	

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

Indicators	Findings
<p>4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p><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 interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p>

4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not **receive** wood from Priority Ancient and Endangered forests, as *outlined in the [Advice Note](#)* and from controversial sources.

There is no news and info disclosed that the organize is non-compliance with national and international laws.

The company holds a number of third-party certificates, most of which covers the compliance with applicable law, including:

- ISO9001: 2015 quality management system
- FSC Chain of Custody
- ISO14001: 2015 Environment Management System
- ISO45001: 2018 Occupational Health and Safety Management System
- STANDARD 100 by OEKO-TEX® testing and certification system.

	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The assessment was conducted by the Supplying Department at Corporate office.  Detailed findings please refer to indicator 2 and 4 under Appendix A.
<b>Summary:</b> The assessment was conducted by the Supplying Department at Corporate office. The interview with the management proves they were aware all relevant laws and regulations. There is no news and info disclosed that the company is non-compliant with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarter.	

5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	
Indicators	Findings
5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<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> Supplier performance monitoring program was conducted by the corporate office.
<b>Summary:</b> Supplier performance monitoring program was conducted by the corporate office.	

## Appendix D: 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 Tangshan Sanyou's continuous improvement

August 2023

Canopy applauds Tangshan Sanyou for completing its 3rd verification audit, which indicates that the company has conducted an in-depth risk assessment, engaging with suppliers, and working to expand its two commercial scale next generation MMCF products.

The CanopyStyle audit is a learning opportunity, and in the spirit of continuous improvement, additional actions can be taken over time to fully implement Tangshan Sanyou's policy commitments. Based on the review of the 3rd audit report, Canopy recommends the following next steps:

1. Renew out-of-date supplier agreements, and work to eliminate all possible risk from the supply chain.
2. Update the risk assessment to include plantation dates to ensure that no post-1994 plantation fibre is entering the supply chain.
3. Develop an action plan to increase the amount of FSC certified fibre used, with a preference for FSC 100%. Ensure that all bamboo sourced is FSC certified.
4. Continue to engage with suppliers and advocate for conservation solutions in priority forest regions.
5. Adopt best-in-class processing technologies and work with experts in the field to meet new standards for chemical discharge and pollution.

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

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