Fibre Procurement Policy for Protecting Forests

[Effective: Jaunary 1, 2023]

Yibin Grace Group Co., Ltd. is committed to playing a leadership role in the dissolving pulp & cellulosic fibre industry and will work with our wood fibre suppliers and Canopy in order to promote sustainable forest management and the protection of ancient and endangered forests.

Yibin Grace Group Co., Ltd. supports the production of cellulosic fibres & fabrics from wood fibre that is not sourced in ancient and endangered forests, such as Indonesia's tropical forest and Canada's Boreal Forest, unless meaningful conservation plans and FSC certification are in place.

The following principles apply to all man-made cellulosic fibres, fabrics and textiles, including but not limited to rayon, viscose, lyocell, modal and trademarked product lines produced by our company. This commitment addresses our own operations as well as our procurement practices. This policy supports principles that result in long-term environmental, social and economic benefits.

Scope of Commitment
All of our operations, including companies we control, manage and/or have an investment in - will be in compliance with this policy.

We will source our raw material only through suppliers that are transparent,, traceable and comply with this policy.

If suppliers contravene these criteria, we will first engage them to change practices and then re-evaluate our relationship with them if we find that fibre is coming from sources that do not meet this policy.

Conservation of Ancient & Endangered Forests[i] and Intact Forest Landscapes[ii]:
Yibin Grace Group Co., Ltd. supports a future that does not use ancient and

endangered forest for dissolving pulp to make cellulosic fibres. We will, therefore:

- Assess our existing use of wood pulp and fibre and ensure that we are not sourcing fibres made from ancient and endangered forests areas such as the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, the Amazon and West Africa, or endangered species habitat.
- Work with our fibre suppliers to phase out and find suitable alternatives to any fibre sourced from these regions.
- Eliminate sourcing fibre from other controversial sources including companies that are logging forests illegally[iii] and from tree plantations established after 1994 through the conversion or simplification of natural forests and forests containing GMOs.

Recognizing, respecting and upholding human rights and the rights of communities

We will request that our suppliers respect the Universal Declaration of Human Rights and acknowledge indigenous and rural communities legal, customary or user rights to their territories, land, and resources.[iv] To do so, we require that our suppliers acknowledge the right of Indigenous People and rural communities to give or withhold their Free, Prior and Informed Consent (FPIC) before new logging rights are allocated or tree plantations are developed, resolve complaints and conflicts, and remediate prior human rights violations through a transparent and accountable grievance mechanism and mutually agreeable dispute resolution process.

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Innovative and Alternative Fibre Development

We will collaborate with Canopy, innovative companies and suppliers to explore and encourage the development of fibre sources that reduce environmental and social impacts. Where appropriate, we will play an active role in the research and development and eventual adoption of commercial scale production of pulp and cellulosic fibre made from alternative fibre sources such as agricultural residues[v] and recycled fibres.

Advocacy for Conservation Solutions

Working with Canopy we will support collaborative and visionary system solutions that protect remaining ancient and endangered forests such as the Coastal Temperate Rainforests of Vancouver Island and Great Bear Rainforest[vi], Canada's Boreal Forestsvii, and Indonesia's Rainforests.[viii]

Forest Certification

We will preference fibre sourced from forests that are responsibly managed

forests, certified to the Forest Stewardship Council (FSC) certification system. FSC certified plantations[ix] are part of the solution.

Transparency, Traceability and Verification

We will ensure the transparency & traceability of our own operations and supply chains, and will identify the origin of our raw material sourcing, including pulp and plantations/wood fibre, through mapping our entire supply chain (chain of custody) back to the mills, plantations, and forest areas. We will work with stakeholders to develop third party verification systems of our operations and supply chain and be verified low risk of sourcing from ancient & endangered forest.

Reduction of Greenhouse Gas Footprint

Recognizing the importance of forests and peatlands as carbon storehouses, we will support initiatives that advance forest conservation to reduce the loss of high carbon value forests, by encouraging vendors and suppliers to avoid harvest in these areas, and by giving preference to those that use effective strategies to actively reduce their greenhouse gas footprint.

Pollution Prevention

Pulp and viscose manufacturing is a resource-intensive process that can lead to air and water emissions that impact overall environmental quality. This policy does not address these other critical environmental issues, however, we will invest in and use the cleanest dissolving pulp and viscose manufacturing technology.

Communication

We recognize the benefit of creating environmental awareness among our customers, employees and peers. As such, we will highlight our environmental efforts on our website and in public communications.

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[i] Ancient and Endangered Forest Ancient and endangered forests are defined as intact forest landscape mosaics, naturally rare forest types, forest types that have been made rare due to human activity, and/or other forests that are ecologically critical for the protection of biological diversity. Ecological components

of endangered forests are: Intact forest landscapes; Remnant forests and restoration cores; Landscape connectivity; Rare forest types; Forests of high species richness; Forests containing high concentrations of rare and endangered species; Forests of high endemism; Core habitat for focal species; Forests exhibiting rare ecological and evolutionary phenomena. As a starting point to geographically locate ancient and endangered forests, maps of High Conservation Value Forests (HCVF), as defined by the Forest Stewardship Council (FSC), and of intact forest landscapes (IFL), can be used and paired with maps of other key ecological values like the habitat range of key endangered species and forests containing high concentrations of terrestrial carbon and High Carbon Stocks (HCS). (The Wye River Coalition' s Endangered Forests: High Conservation Value Forests Protection - Guidance for Corporate Commitments. This has been reviewed by conservation groups, corporations, and scientists such as Dr. Jim Stritholtt, President and Executive Director of the Conservation Biology Institute, and has been adopted by corporations for their forest sourcing policies). Key endangered forests globally are the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests of British Columbia, Alaska and Chile; Tropical forests and peat lands of Indonesia, the Amazon and West Africa. For more information on ancient and endangered forests, please go to: https://canopyplanet.org/tools/forestmapper/

[ii] Intact Forest Landscape (IFL) is an unbroken expanse of natural ecosystems within the zone of current forest extent, showing no signs of significant human activity, and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained. (http://www.intactforests.org/world.map.html)

[iii] Legal forest management is management that complies with all applicable international, national, and local laws, including environmental, forestry, and civil rights laws and treaties.

[v] Agricultural residues are residues/by-products left over from food production or other processes and using them maximizes the lifecycle of the fibre. Depending on how they are harvested, fibres may include flax, bagasse, and hemp.

[vi] Coastal temperate rainforests originally covered 0.2% of the planet, and now less than 25% of these forests remain in their original state. We will consider sourcing from areas within the coastal temperate rainforests where credible conservation solutions are finalized. A legal conservation plan is now finalized for the Great Bear Rainforest a region of 6.4 million hectares within the Coastal Temperate Rainforest zone of British Columbia Canada. On February 1st, 2016 the Government of British Columbia, First Nations, environmental organizations and the forest industry announced an Ecosystem-based Management framework that sets 85% of this region off limits to logging and stringent logging rules in the other 15%. Provided these agreements are fully implemented - sourcing from this ancient and endangered forest region can be considered to be within sustainable levels. We encourage ongoing verification of this through renewal of Forest Stewardship Council certification by the logging tenure holders in the region. [Note this footnote is key, otherwise the policy would suggest you would not source from this region, despite the conservation agreements in place, which would be a disincentive for forest companies to make these type of conservation agreements in other ancient and endangered forests].

[vii] Canada's Boreal Forest contain the largest source of unfrozen freshwater world wide and are part of the world's largest terrestrial carbon sink - equivalent to 26 years worth of global fossil fuel use. Canopy

is committed to working collaboratively on the establishment of new protected areas, the protection of endangered species and the implementation of sustainable harvesting in Canada's Boreal Forest.This region is slated for the largest increase in mills for dissolving pulp that goes into cellulose-based fabrics.

[viii] Indonesia experiences the second highest rate of deforestation among tropical countries, with the island of Sumatra standing out due to the intensive forest clearing that has resulted in the conversion of 70% of the island's forested area (FAO Forest Assessment 2010; Margono, B.A. et al. 2012). Indonesia is home to 10% of the world' s mammals, 16% of bird species, 11% of plant species and 70 tons of carbon. Canopy and our NGO partners are focused on forwarding lasting protection of the Leuser Ecosystem - the last place on earth where orangutans, tigers, elephants, rhinoceros and sun bears still co-exist.

[ix] Plantations area areas that have been "established by planting or sowing using either alien or native species, often with few species, regular spacing and even ages, and which lack most of the principal characteristics and key elements of natural forests". Plantations prior to 1994 are often FSC certified. Source FSC: https://ic.fsc.org/en/document-center/id/335