



CanopyStyle Audit Report for Yibin Grace Group Co. Ltd

Assessment 2023

Evaluation date: 21 August 2023

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Organisation Contact

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TABLE OF CONTENTS

INTRODUCTION	3
1. GENERAL DESCRIPTION	4
2. EVALUATION SCOPE	5
3. EVALUATION PROCESS	6
4. EVALUATION RESULT	9
Appendix <A>: STANDARD CHECKLIST (CanopyStyle Verification Framework – Corporate Sourcing)	19
Appendix : STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill Checklist)	57
Appendix <C>: STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill Checklist)	64
Appendix <D >: RECOMMENDATIONS FOR IMPROVEMENT	72

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 *Yibin Grace Group Co. Ltd* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 2021 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 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 Forests⁴.

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

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

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

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

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

1. GENERAL DESCRIPTION

1.1 Company overview

Yibin Grace Group Co., Ltd. (hereinafter referred to as Company) was founded in 1984. It is a large-scale comprehensive modern state-owned enterprise group with the bio-based cellulose fibre and its new material industry as its core.

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

- FSC Chain of Custody
- OEKO-TEX STeP
- OEKO-TEX® testing and certification system,
- Textile Exchange
- Business Social Compliance Initiative,
- Quality management certificate,
- Environment Management System,
- RCS Scope Certificate
- EU BAT,
- Higg Certificate, etc.

1.2 Company scope (sites, locations, etc)

Name/Description of sites	Location
Corporate office: Yibin Grace Group Co., Ltd.,	Yanpingba Industrial Zone, Nanguang Town, Xuzhou District, Yibin City, 644002 P.R.China
Mill 1: Yibin Hiest Fibre Limited Co.. (Filament Yarn)	
Mill 2: Yibin Grace Co., Ltd. (Staple Fiber)	

The Company has two mills for this reporting period:

- One is Yibin Hiest Fibre Limited Co.. with same address as the corporate office. It has 2865 staffs, and all staff sign labor contracts. There is one product in Hiest, Viscose Rayon Filament, which produced by dissolving pulp and recycled cotton pulp. And the capacity is 45,000 tons/year.
- One is Yibin Grace Co., Ltd., with same address as the corporate office. It has 625 staffs, and all staff sign labor contracts. There is one product in Yibin Grace Co.,Ltd Stable fibre, produced by chemical/dissolving pulp as well as bamboo pulp. Full capacity is 240,000 tons/year.

Note:

- The Company manages centralized sourcing and sales but this is implemented by Yibin Hiest Fibre Limited Co., (Hiest).
- In the last audit, a 3rd mill in Chengdu (Chengdu Grace Fibre Co., Ltd) was included in the audit. According to the Company, Chengdu mill was shut down in July 2021.
- The Company is currently building a new green material industry base where a lyocell mill with a capacity of 350,000 tons is included.
- Company has invested in a mill (Xinjiang Yaa Technology Co., LTD) in Xinjiang Province China for viscose staple fiber production. The Company has 35% of the share. The viscose staple fiber production capacity is 100,000 tons/year. Due to a consecutive losses and the poor market situation, this mill has stopped production in April 2023. Now, the Company is negotiating with shareholders to divest the assets.

1.3 Company sourcing policy

The organization published and updated their Fibre Procurement Policy for Protecting Forests, effective 01 January 2023, which is publicly available on its website:
 EN version: <http://slyly.symansbon.cn/resources1.aspx?t=12> , CN version: <https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf>

Yibin Grace Group Co., Ltd., is committed to:

- Conserve Ancient and Endangered Forests and intact forest landscapes.
- Recognize, respect and uphold human rights of communities
- Develop innovative and alternative fibre programme
- Advocate for conservation solutions
- Promote forest certification
- Transparency, traceability and verification
- Reduce greenhouse gas footprint
- Prevent pollutions
- Enhance communication

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input type="checkbox"/> Single	<input checked="" type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	Filament yarn (99.85% of dissolving pulp , 0.15% of recycled cotton pulp), Staple fiber (95% of chemical/dissolving pulp) , 5% of bamboo pulp)	
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No Comments:
Mill Capacity:	Filament Yarn: 45,000 ton/year	

	Staple fibre: 240,000ton/year currently and will increase to 320,000ton/year as planning by the end of 2023	
Primary Activity:	viscose filament yarn and staple fiber production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male (Hiest): 1681	Permanent female (Hiest): 1148
	Permanent female: 469 (Limited Company)	Permanent female: 156 (Limited Company)
	Contract male: 2150	Contract female: 1304
	TOTAL: 3454	

Sites included in evaluation	Location
Yibin Hiest Fiber Co., Ltd. (Visited in 21st August 2023)	Yanpingba Industrial Zone, Nanguang Town, Xuzhou District, Yibin City, 644002 P.R.China
Yibin Grace Limited Company (Visited in 21st August 2023)	

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Peiyong Zhou (Lead auditor)	Sustainability 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.

<p>Jianhua Zeng (Auditor in training)</p>	<p>Sustainability Specialist; 14 years hand-on sustainability management experience in forestry. Familiar with FSC, CFCC, ISO quality, environment, and OHSAS standards. Rich hand-on experience in sustainable land use, HCV evaluation, stakeholder engagement, social impact assessment (particularly in mapping and assessment), community investment projects planning, and implementation based on principle of Free, Prior and Informed Consent (FPIC)</p>
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3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Corporate Office	August 21, 2023	4 hours
Yibin Hiest Fibre Limited Co., Ltd.	August 21, 2023	4 hours
Yibin Grace Co., Ltd.	August 21, 2023	4 hours

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

3.3 Description of Overall Audit Process

The audit officially started on 21- July-2023. The auditor started contacting the Company by requiring relevant documentation based on the latest CanopyStyle audit guidelines and framework.

The Company sent over a number of documents such as sourcing policy, organizational chart in implementing the policy, standard operation manual, communication with suppliers on sourcing requirements, risk assessments with evidence for the reporting period (01-April-2022 to 24-July-2023) for all suppliers, procurement data, sales data, update on innovative and alternative fiber, evidence on conservation, evidence on social issues from suppliers, etc.

In the meantime, the auditor also communicated and cross-checked with the Company over any issues and questions occurred during the review process. As there are eleven dissolving pulp suppliers supplying as well as one supplier providing recycled cotton pulp, the auditor needed to review the documentation for each supplier’s related documentation, especially on the risk assessments.

During the initial review phase, auditor detected that the purchasing evidence provided was not at a sufficient level, i.e. only provided a few purchasing invoices, therefore, auditor asked for more detailed purchasing documents samples from all declared suppliers. The company provided the required documentation.

On 21-August-2023, the auditors conducted the on-site audit at the corporate office, with the presence of management representative and the key staff from relevant departments from the corporate office. During the opening meeting, the objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. The management representative gave a brief introduction of the company and operation activities and the efforts made on Canopy sourcing policy. The auditor then shared major findings from reviewing the documentation.

Following the opening meeting, the auditor interviewed the management team regarding action plan and any updates in regard of practices with Canopy policy commitment, Company structure, Canopy training, purchase policy, supplier management, research of alternative Fibre, environment protection, forest protection, etc.

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

Then, the auditor toured the company's mill(s) including the production line(s) and warehouse(s). When touring the warehouse(s), the auditor checked on the mill's input and output records, storage for the pulp in use.

In combination with reviewing documents and visiting the company's facilities, the auditors interviewed the staff from various departments, including product department, sourcing department, etc.

The closing meeting was held on the same day. The auditors gave a summary of the meeting, raised issues and acquired for additional further information within two weeks' time after the meeting. The Company provided further required additional documentation at a later stage as well as responded to some of the major concerns, such as training record, missing purchase invoices, evidence/explanations on the bamboo pulp from Yibin Paper, as well as from Phoenix and Yunan Yunjing, etc. For details please refer to the report findings.

Participants(partly):

- Mr. Song Wei, Deputy General Manager of Company
- Mr. Liu Aibin, Deputy Director of R&D
- Ms. Li Xiaoxia, Deputy Director of Sustainability Department
- Ms. Zhou Hongmei, General Manager Assistant of Yibin Hiest Fibre Co,Ltd
- Mr. Hu Xiaodong, General Manager of Yibin Grace Co., Ltd.
- Mr. Wen Xuejin, Director of Wood Pulp and Trade Department
- Mr. Cheng Xiaojun, Purchase Manager

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive Findings:

The Company has been implementing the sourcing policy in line with CanopyStyle initiative.

A standard operation procedure (SOP) has been developed by the HQ to implement the Policy as well as monitor on the suppliers' performance. The standard operation procedure is shared with the mills.

The Company has also developed capacity as well as organizational structure in implementing the Policy. Management team as well as the production site managers are trained how implement the policy and procedure.

The Company keeps communicating about this policy with all suppliers.

The dissolving 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 Company has made significant improvements in their systems to comply with the CanopyStyle audit, particularly in the areas of Leadership Group engagement, risk assessment, and commitments to increase the FSC certified materials.

The Company has been developing fibre by using recycled fibre. And has finished the technical exploration and trial production have been completed.

Areas for Improvement:

During the audit, auditors reviewed all suppliers’ contract documents provided by Company; the requirements to implement the Policy was only included in the contract with LD CELULOSE. Contracts with rest of the suppliers didn’t include such requirements. Company should include requirements to implement the Policy in agreements/contracts with current and future suppliers.

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, and during this audit some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, others disclosed up to sub-regional/country level, while some didn’t reveal their forest level info. Therefore, origin of material for suppliers who is only known at a sub-regional/country level or from unknown region, creating a broad sourcing area with potential overlap with ancient and endangered forests.

In terms of whether the wood comes from forest/plantation where no conversion of natural forest to plantations, no solid evidence provided from the Company as well as from the suppliers, except their products’ FSC certificate status. Company shall work further to gather solid evidence from supplier in this regard. The company has a procedure (*Pulp supplier procurement evaluation procedure- Regarding procurement of tropical peatlands and/or intact forest landscapes*) to prevent sourcing from tropical peatlands and/or intact forest landscapes. 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. In addition, there is non-certified dissolving pulp supplied as well, where the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.

The Company has an action plan to increase the FSC intake which was approved in July 2023. The company is increasing FSC intake practically, while it needs to be verified in the future again.

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 for 2022 and the Canopy Dissolving Pulp Classification Tool:

Comparison between the Company’s risk assessment results and Canopy Dissolving Pulp Classification Tool

Dissolving Pulp mill	Company Risk Assessment	Canopy Dissolving Pulp Classification
Rayonier A.M. Canada G.P. (Temiscaming)	Low risk Multiple species from Rayonier A.M. Canada G.P.	Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required.
AustroCel Hallein GmbH	Low risk Spruce species from Austria	No sourcing issues identified based on current information and/or

		CanopyStyle audit.
LD CELULOSE S.A.	Low risk Eucalyptus from Brazil	No sourcing issues identified based on current information and/or CanopyStyle audit
Södra Cell Mörrum	Low risk. Birch (betula pendula and betula pubescens), aspen (populus tremula), beech (fagus sylvatica) from Sweeden	No sourcing issues identified based on current information and/or CanopyStyle audit.
RENEWCELL AB	Low risk Recycle material from Sweeden	N/A
Phoenix Paper & Pulp Public Company Limited	Low risk Eucalyptus from Thailand	In a region that contains IFL and where deforestation is a threat. Further sourcing information and/or auditing required.
Arauco	Low risk Radiata pine from Chile	No sourcing issues identified based on current information and/or CanopyStyle audit. It has been documented that several Mapuche communities in Chile have been in conflict with forestry companies over logging and plantations on their customary lands. It is unclear whether these issues have been resolved between the Mapuche and Arauco.
Cmpc PulpS.A	Low risk Eucalyptus from Braizil	No sourcing issues identified based on current information and/or CanopyStyle audit. Brazil is currently capturing international attention due to the erosion of its National Forest Code, and other environmental regulations.
CeluloseNipo-BrasileiraS.A (CENIBRA) *not confirmed as a dissolving pulp producer, but may be in the viscose supply chain	Low risk Eucalyptus from Braizil	No sourcing issues identified based on current information and/or CanopyStyle audit. Brazil is currently capturing international attention due to the erosion of its National Forest Code, and other environmental regulations.
INTERNATIONAL PAPER COMPANY	Low risk South pine from USA	Local risk mitigated through supplier actions.

ARAUCO & NUEVAALDEA (Arauco)	Low risk Eucalyptus Globulus&Nitens from Chile	No sourcing issues identified based on current information and/or CanopyStyle audit. It has been documented that several Mapuche communities in Chile have been in conflict with forestry companies over logging and plantations on their customary lands. It is unclear whether these issues have been resolved between the Mapuche and Arauco.
Yibin Paper Industry Co., Ltd.	Low risk Bamboo from China	No information available

4.2 Summary of findings

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

** Indicates Critical Indicators

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

	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment in Progress</i>
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<i>Commitment Met</i>
	1.8 The MMCF producer has put in place a grievance procedure.	<i>Commitment Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Not Applicable</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment Met</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment Met</i>
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment Met</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment Met</i>
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>

<p>3. No conversion of natural forest to plantations</p>	<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **</p>	<p><i>Commitment in Progress</i></p>
<p>4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated</p>	<p>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>	<p><i>Commitment Met</i></p>
	<p>4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **</p>	<p><i>Commitment in Progress</i></p>
	<p>4.3 Any raw materials in the MMCF producer’s supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **</p>	<p><i>Not Applicable</i></p>
	<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p><i>Commitment Met</i></p>
	<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	<p><i>Commitment in Progress</i></p>
<p>5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them</p>	<p>5.1 All MMCF producers’ suppliers are identified and the forest of origin is known. **</p>	<p><i>Commitment in Progress</i></p>
	<p>5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p><i>Commitment Met</i></p>
	<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	<p><i>Commitment Met</i></p>
<p>6. The MMCF producer welcomes interested stakeholders and Leaders</p>	<p>6.1 When requested, Canopy, the Leaders Group and other stakeholder observers are permitted to participate freely and to report</p>	<p><i>Not applicable</i></p>

<p>Group observers to verify the implementation.</p>	<p>observations during this verification process. **</p>	
<p>*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)</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><i>Not applicable</i></p>
	<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **</p>	<p><i>Not applicable</i></p>
	<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **</p>	<p><i>Not applicable</i></p>
	<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **</p>	<p><i>Not applicable</i></p>
<p>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities</p>	<p>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>	<p><i>Commitment Met</i></p>

<p>and workers affected by the operations of their supply chain and affiliated companies in the forestry sector</p> <p>Note: This audit focuses on 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.</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</p>	<p><i>Commitment in Progress</i></p>

	Organization (ILO) Declaration on Fundamental Principles and Rights at Work.	
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer 's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **	<i>Commitment in Progress</i>
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment Met</i>
	8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<i>Commitment Met</i>
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	<i>Commitment Met</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Commitment Met</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<i>Not Applicable</i>
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment Met</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment Met</i>

and peatlands as carbon storehouses		
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment in Progress</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment in Progress</i>
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 https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<i>Not Applicable</i>

4.3 Volume Summaries⁵

Reporting period (Yibin Hiest Fibre Ltd Co.): 01-April-2022, to 24-July-2023

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	12,090.0	18.14%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0%
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	1,500.0	2.25 %
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	26,000.0	39.02%
Non-FSC	Material received with no FSC claim. <i>(Note, This is recycled material)</i>	200	0.30%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	26,850.0	40.29%

⁵ The volume summary is provided by the organization.

Reporting period (Yibin Grace Co., Limited): 01-April-2022, to 24-July-2023

Category	Explanation	Volume (Ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	65,000.0	20.90%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0%
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	239,225.0	76.93%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	0%
Non-FSC	Material received with no FSC claim	6,720.0	2.16%

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

1. Evaluation of Corporate Office

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Song Wei, Deputy General Manager of Company
Auditor(s):	Ms. Zhou Peiying, Mr. Zeng Jianhua
People Interviewed, Titles:	Ms. Li Xiaoxia, Deputy Director of Sustainability Department Ms. Zhou Hongmei, General Manager Assistant of Yibin Hiest Fibre Co.,Ltd Mr. Hu Xiaodong, General Manager of Yibin Grace Co., Ltd Mr. Wen Xuejin, Director of Wood Pulp and Trade Department Mr. Liu Aibin, R&D Director Mr. Chen Xiaojun, Purchase Manager
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 3.3 above for Description of Overall Audit Process.</i>
Comments: 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

<p>1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organization published and updated their Fibre Procurement Policy for Protecting Forests, effective 01 January 2023, which is publicly available on its website: https://www.cn-grace.com/Uploadfiles/Files/2023-9-4/202394947178043.pdf</p> <p>The interview with the deputy general manager 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 pulp procurement policy.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has developed and implemented the internal control procedure for dissolving pulp sourcing (Corporate Office, file No.: 22-2018; Hiest, file No.: HS/QB-2017-11; Limited Company, file No.: GF/QB-2017-11) for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company.</p> <p>The procedure is composed of several segments including: related definition of ancient and endangered forest, disputed raw material, responsibilities of related person and department, suppliers' assessment including detail evaluation method, documents managements, material validation, sourcing risk control.</p> <p>The evaluation methods of the supplier include:</p> <ol style="list-style-type: none"> a. Collect and review supplier files (i.e performance record/information of quality, environment, safety, price etc) to evaluate its ability to meet contractual requirements. b. Evaluate whether the suppliers meet the requirements of Company's Fiber procurement Policy for Protecting Forests (see, 1.1 above). i.e, no ancient and endangered forest, disputed raw material, provided due diligence, third

	<p>party's certificate, risk assessment of legality, whether materials are purchased from tropical peatlands and/or intact forest landscapes, etc.</p> <ul style="list-style-type: none"> c. Field verification d. Review history result of similar material. e. Pulp suppliers are required to provide and evaluate their high conservation value forest reports and COC risk analyses even if they are FSC certified. <p>In addition, the ForestMapper tool is used to determine whether the purchasing area of the producer overlaps with at least one ecological value area in the original endangered forest data layer, and if so, the corresponding overlap area is analysed.</p> <p>The procedure is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>Mr. Wen Xuejin, Director of wood pulp and trade department, has the overall responsibility for sourcing policy implementation. Mr. Cheng Xiaojun and Ms. Wang Run, who are the Purchase Manager and responsible for practicing the detailed sourcing requirements to suppliers.</p> <p>They are required to sign a commitment letter on the compliance of policy implementation. A signed letter sample was provided during the audit.</p> <p>The Wood Pulp Division and Product Control Department are the main divisions to implement the policy. Other divisions are also involved to support the implementation of the policy, such as warehouse and finance department, Sustainability, etc.</p> <p>The interviews of Mr. Wen Xuejin and Mr. Cheng Xiaojun, showed that they are aware of their responsibilities in implementing the policy.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available

	<p>Description of the finding:</p> <p>The two mill's organizational structure for implementation of policy has been shared with the auditor. There are 9 departments/branches involved in the implementation of the policy, including Wood Pulp Division, Environment department, R&D, Product and Quality Control, etc.</p> <p>During the audit, the interviews of Mr. Hu Xiaodong (General Manager, Yibin Grace Co., Ltd), Ms. Zhou Hongmei (General Manager assistant, Hiest), Mr. Luo Zhujun (Product Manager, Hiest), Ms. Zhou Yanhui (Quality Inspection Center, Hiest) showed that they 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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company notified all suppliers the commitments via emails. Email samples were shared with auditor for review. Most of the dissolving pulp suppliers except Sodra had signed the commitment letter confirming the commitment to follow the Company's sourcing policy. In the meantime, some suppliers also provided their sourcing policies and/or sourcing statement.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>During audit, auditors reviewed all suppliers' contract samples provided by Company, the requirements to implement the Policy was only shown on the contract with LD CELULOSE. Contracts with rest of the suppliers didn't include such requirements.. The Company agreed to add such requirements in the contract for future procurements and has been in communication with suppliers on this issue. The new contract template has been provided to the auditor.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>The Company included the ancient and endangered forests definitions and sourcing policy requirements in the Control System for External Suppliers (Corporate Office, file No.: 22-2018; Yibin Hiest Fibre Co.,Ltd: HS/QB-2017-11; Yibin Grace Co.,Ltd: GF/QB-2017-11), which requires evaluating fibre forest of origin, legality etc to see if suppliers are qualified. Also, in document (file No.22-2018), it identifies suppliers as three levels,</p> <p>a) strategic supplier, as business partner, b) key supplier, as backup, c) comment common supplier.</p> <p>Generally, the Company has business with key supplier and strategic supplier. For the common supplier, if they follow up the improved comments from the Company, they will be upgraded. if improvement as requirement, will set as backup also.</p> <p>The frequency of supplier renewal is once a year. And the control system specifically mentions that compliance with Canopy Policy is a plus for suppliers.</p> <p>In regard of the non-conformance , if suppliers don't follow the contract with no reasonable cause, Company will stop the co-operation with the supplier.</p> <p>The Sourcing Risk Assessment Report (2022) showed that Company has been monitoring the conformance with Policy for their suppliers. This document and the risk assessment report will guide the sourcing work of the two mills.</p> <p>In the document (HS/QB-2017-11, Hiest), defined the scope, responsibilities, frequency, risk control, etc. In the item 6 (<i>Sourcing Risk Control</i>), it mentioned that, if the supplier did not follow the Fibre Procurement Policy of Protecting Forest, Hiest will require supplier to take corrective action, there was one-year period buffer time for the supplier. During the buffer time, purchases are suspended. If the supplier fails to take appropriate measures, the purchase shall be terminated immediately. In the document (GF/QB-2017-11, Yibin Grace Co., Ltd), defined the scope, responsibilities, frequency, risk control, etc. In the item 5.4.7, it mentioned that, if the supplier did not follow the Fibre Procurement Policy of Protecting Forest, Yibin Grace Co., Ltd will require supplier to take corrective action, there was one-year period buffer time for the supplier. During the buffer time, purchases are suspended. If the supplier fails to take appropriate measures, the purchase shall be terminated immediately.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met

	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>The Company has a grievance procedure (file No. C0502), which including scope, responsibility, complaint information collection, complaint handling, time limited (within 3 months), form, etc. The process as below, Once the Company receives a complaint, the Trade Department will summarize the information and deliver to Sourcing Department and give feedback to complainant within two weeks. The relevant business department will need to finish root cause analysis, propose and carry out the corrective action within three months. Then, the Trade Department will verify the result and save records and give feedback to the complaint.</p> <p>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 address any identified non-conformance and grievance received.**</p>	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>No complaints have been received, and no non-conformities have yet been recognized during the time scope of this audit.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>The organization conducted two trainings on the policy and Canopy requirements before the audit:</p> <ul style="list-style-type: none"> - 26-May-2023, various departments - 11-August-2023, various departments. <p>Training records were provided to the auditor. The interview of key staff (i.e Mr. Song Wei, Deputy General Manager, Mr. Zhou Hongmei, General Manager Assitant, Hiest, Mr. Chen Xiaojun, Purchasing Manager , Mr. Luo Zhujun, Product Manager, Mr. Hu Xiaodong, General Manager of Yibin Grace. Co., Ltd. etc) demonstrated they</p>

	are fully aware of the policy and are able to explain to the auditor how they should implement the policy.
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Please refer to indicator 1.2. Both mills have developed its procedures.</p>
<p>Summary:</p> <p>The Company has developed and published a fibre sourcing policy for the implementation of Canopy requirements.</p> <p>The Company notified all suppliers the commitments via emails. Email samples were shared with auditor for review. Most of the dissolving pulp suppliers except Sodra had signed the commitment letter confirming the commitment to follow the Company's sourcing policy. In the meantime, some suppliers also provided their sourcing policies and/or sourcing statement.</p> <p>The company has included requirements to implement policy in purchase contract with LD CELULOSE, while rest of suppliers, didn't include such requirements.</p> <p>The Company has developed the internal control procedure for its implementation of Pulp Procurement Policy.</p> <p>Organizational structure was established, and individual responsibilities were assigned to ensure the implementation. The training records of implementing of policy were provided.. The interview with management team and key managers confirms that they are aware of the policy and are implementing it.</p> <p>The Company has established non-conformance and grievance procedure, which including scope, responsibility, complaint information collection, complaint handling, time limited (within 3 months), form, etc..</p>	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
<p>2.1 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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has identified all raw material inputs by volume as required. The raw material includes dissolving pulp, recycled cotton pulp as well as bamboo pulp.</p> <p>From 01-April-2022, to 24-July-2023, Company purchased a total of 377,585 tons pulp from 12 suppliers.</p>

The company provided the sourcing information form which includes information for the 12 suppliers, such as pulp mill name, volume and percentage from each pulp supplier, species info, country of origin or sub-country and certification status of purchased pulp.

An observation:
 During the mill visit, auditors found some pulp at warehouse which was not declared during the audit (Named Yunjing Pulp_Paper Pulp) from Yunnan Yunjing Forest & Pulp Co.,Ltd. It is non-certified pulp. This company locates in Yunnan province, China which does not list in CANOPYSTYLE CLASSIFICATION OF DISSOLVING PULP MILLS, as well as does not list in its declared *Sourcing Information List* and *Contract List*. Company provided some collected materials of this mill. i.e PEFC and CFCC certificate (code: CFCC/PEFC-FM-ZTFC-000025), certificate: Good Labor relationship Enterprise in Yunnan Province, public forest management information etc.

The Company provided three purchase contracts (No. SLY20220501, No. SLY20220801, No. 20221001) which showed that a total 7,000.0 ton pulp, the provided VAT invoices showed that a total 294.8 ton were indicated.

The Company later on also provided sales contract and invoice for the sale of 160 ton of the Yunjing Pulp (Contract No. FIC-BSGF-2023089), which is sufficient evidence to show that it is not entering their MMCF supply chain.

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.

Conformance with Indicator:

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

Description of the finding:

Company provided suppliers list which showed that total 12 suppliers were included.

Company provided its assessment record against Ancient and Endangered Forests and Dissolving Pulp Classification tool also.

The direct suppliers and its Dissolving Pulp Mill as below:

For Yibin Grace Co., Ltd.:

No	Direct Supplier	Dissolving Pulp Mill	Forest Origin
1	CELULOSAARAUCOYCONSTITUC IONS.A.	Arauco	Chile
2	CmpcPulpS.A	CmpcPulpS.A	Brazil
3	OJIGREENRESOURCECO.,LTD	CeluloseNipo-BrasileiraS.A	Brazil
4	INTERNATIONALPAPERCOMPAN Y	INTERNATIONALPAPERCOMPA NY	USA
5	CELULOSAARAUCOYCONSTITUC IONS.A.	ARAUCO&NUEVAALDEA	Chile
6	Yibin Paper Industry Co., Ltd.	Yibin Paper Industry Co., Ltd.	China -Bamboo pulp, total 720 tons

For Yibin Hiest Fibre CO.,Ltd:

No	Direct Supplier	Dissolving Pulp Mill	Forest Origin
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7	MAY&WELL INTERNATIONAL CO., LTD	Rayonier A.M. Canada G.P.	CANADA
8	AustroCel Hallein GmbH	AustroCel Hallein GmbH	Austria
9	Pulp Trading GMBH	LD CELULOSE S.A.	Brazil
10	Södra Skogsägarna ek. för., Södra Cell	Södra Cell Mörrum	Sweden, Latvia, Estonia
11	EKMAN & CO AB	RENEWCELL AB	Sweden -Recycle material total 200 tons
12	Phoenix Paper & Pulp Public Company Limited	Phoenix Paper & Pulp Public Company Limited	Thailand

2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.

Conformance with Indicator:

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

Description of the finding:

Total twelve suppliers (see indicator 2.2 above) are disclosed in the Sourcing Information Form 2023 from 01-April-2022 to 24-July-2023.

Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info.

Below is a summary on the supply chain disclosure.

1. Celulosa Arauco y Constitución S mill, (Arauco mill) Chile

Map:

4. Cmpc Pulp S.A, Brazil
 The supply chains are disclosed to district level. A main forest level supplier 's info is provided. After checking this forest level supplier's FSC FM/COC certificate, it's seen the product it could sell is FSC100% certified raw material, given that the pulp supplied to the Company is FSC Controlled Wood claimed as well as FSC Mix Credit certified, it's deemed that not all forest level suppliers are disclosed.



TO WHOM IT MAY CONCERN

We hereby declare that during year 2022 the wood origin of our product Guaiaba BEKP (Bleached Eucalyptus Kraft Pulp) were the following districts of Brazil:

DISTRICTS	Total %
ALEGRETE	4,37%
ARROIO DOS RATOS	1,85%
ARROIO GRANDE	2,09%
BAGE	6,51%
BARAO DO TRIUNFO	0,41%
BARRA DO RIBEIRO	3,64%
BUTIA	3,21%
CACAPAVA DO SUL	2,62%
CACHOEIRA DO SUL	10,18%
CANGUCU	2,92%
CHARQUEADAS	0,88%
DOM FELICIANO	5,09%
ELDORADO DO SUL	3,02%
ENCRUZILHADA DO SUL	10,37%
GUAIABA	4,63%
HERVAL	1,01%
LAVRAS DO SUL	2,57%
MANOEL VIANA	1,57%
MARIANA PIMENTEL	1,86%
MINAS DO LEAO	3,76%

PANTANO GRANDE	2,57%
PEDRAS ALTAS	0,70%
PEDRO OSORIO	1,59%
PINHEIRO MACHADO	0,46%
PIRATINI	4,39%
RIO GRANDE	1,33%
RIO FARDO	4,55%
ROSARIO DO SUL	2,34%
SAO GABRIEL	2,48%
SAO JERONIMO	0,78%
SAO SEPE	2,14%
SENTINELA DO SUL	0,18%
SARTAO SANTANA	0,27%
TAPES	2,22%
VIAMAO	0,18%
VILA NOVA DO SUL	1,07%
TOTAL	100,00%



Santiago, January, 2023
 CMPC PULP SpA
 Agustinas 1343, 3rd floor - Santiago Chile
 Phone: (56-2) 2441 2030
 www.cmpcpulp.cl

5. Rayonier A.M. Canada G.P., Canada
 The mill disclosed their forest types, as well as forest level suppliers info. Upon checking their FSC FM/COC certificates, all these forest level suppliers are providing FSC 100% certified raw material. Given that the pulp supplied to the Company is declared as FSC Controlled Wood claimed, it's deemed that not all forest level suppliers are disclosed.



RAW MATERIAL ORIGIN	
FORESTRY LAND	
Location and type of forest (i.e. plantation, natural, virgin, conservation)	Canada, Quebec and Ontario Natural forests – provincial crown forests
Crown forest management plans and supply guarantees	Québec : https://mfpo.gouv.qc.ca/les-forets/amenagement-durable-forets/ Ontario : https://www.ontario.ca/page/sustainable-forest-management
FOREST CERTIFICATION PARTNERSHIPS	
Forestry Management Unit Name	Certificate information Scope and validity available on http://info.fsc.org/ https://www.pefc.org/
GreenFirst Forests Products	FSC Certificate registration code NC-COC-061510, NC-CW-061510 Valid until July 25, 2028 PEFC Certificate registration code NC-PEFC/COC-002517 Valid until August 17, 2026
Produits Forestiers GreenFirst (Qc) Inc. – Foresterie Abitibi, Quebec	NC-FM/COC-001582 Expiry: 2025-11-05
Produits Forestiers GreenFirst (Qc) Inc. – Foresterie Témiscamingue, Quebec	NC-FM/COC-001928 Expiry: 2026-12-16
GreenFirst Forest Products – Gordon Cosens Forest, Ontario	NC-FM/COC-000241 Expiry: 2023-03-31
GreenFirst Forest Products – Forest Management Ontario – Martel Forest, Ontario	SGS-FM/COC-010604 Expiry: 2026-01-19
* RYAM - Forest Management Ontario – Romeo Malette Forest, Ontario * Rayonier Advanced Materials units transitioned to GreenFirst Forests Products	SGS-FM/COC-011965 Expiry: 2025-06-15
Hearst Forest Management Inc – Hearst Forest, Ontario	SGS-FM/COC-010661 Expiry: 2026-11-03
Abitibi River Forest Resource Management Inc - Abitibi River Forest, Ontario	SAI-FM/COC-003045 Expiry: 2023-09-24
Nipissing Forest Resource Management Inc. – Nipissing Forest, Ontario	FSC Certificate registration code SAI-FM/COC-001636 Expiry: 2023-06-10 PEFC Certificate registration code SAI-SFIFM-1640030 Expiry: 2025-06-20

6. CeluloseNipo-Brasileira S.A, Brazil
According to [CENIBRA's official website](https://www.cenibra.com.br/en/wood-traceabilit/): <https://www.cenibra.com.br/en/wood-traceabilit/>. The whole wood used in its industrial plant comes from controlled or certified eucalyptus trees planted in Minas Gerais. CENIBRA does not import or export wood.

WOOD TRACEABILITY

WOOD SOURCE



The supplier provided the map on their sourcing radius:

LOCATION OF FORESTS FROM WHICH WOOD IS SUPPLIED



- 7. LD CELULOSE S.A., Brazil
This company issued a statement and declared that the materials is not from disputed forests or endangered places, including species habitat and forests. See below:

Statement

To: Yibin Hiest Fibre Limited Corporation

This is to certify that the raw material (wood chip) of our company is not from disputed forests or endangered places, including species habitat and forests. No transgenic tree product is used in our production. Our business activities are not involved in any illegal crimes, and do not violate the local labor law, the rights of the local community, the workers and the original inhabitants. We have established procedures to ensure that our tier 1 suppliers support the ILO's 'Declaration and Important Principles of Workers' Rights', and our tier 1 suppliers have the same requirements for their subordinate suppliers. We have studied the relevant Canopy documents and your fibre procurement policy, and will strictly follow the regulations in our procurement production and sales. As one of your major dissolving pulp suppliers, our company will work together with your company to promote sustainable forest management, and to protect ancient and endangered forests.

Company name: LD Celulose SA
Cosimo Giovanni Retzl (Environmental Manager)
Date: 19/07/2023



And according to its Forest management Plan, and Sourcing information Form provided from Company, the input species was eucalyptus. - The forest unit responsible for supplying LD Celulose's wood is in Triângulo Mineiro in the State of Minas Gerais. The location information as below:



Plano de Manejo Florestal

Resumo Público



APRESENTAÇÃO

SOBRE A LD CELULOSE S.A.

A LD Celulose S.A. é uma joint venture entre a austríaca Lenzing e a brasileira Duratex, formada para implantar uma das maiores fábricas de celulose solúvel do mundo. Com investimento de R\$ 5,2 bilhões, a planta está sendo erguida no Triângulo Mineiro, entre os municípios de Indianópolis e Araguari, quando começar a operar, em 2022, vai produzir 500 mil toneladas de celulose solúvel por ano. A previsão é que no pico das obras sejam gerados cerca de 7 mil empregos diretos, impulsionando o desenvolvimento social e econômico de toda a região do Triângulo Mineiro. As fibras especiais de celulose produzidas na LD serão utilizadas na indústria têxtil, gerando tecidos com inovação, sustentabilidade e alta tecnologia.

A LD Celulose está adotando as melhores tecnologias disponíveis na implantação da fábrica, não só no processo produtivo sustentável, mas também nas soluções que buscam a redução, de emissões ao meio ambiente.

Onde estamos

As áreas florestais que fazem parte do manejo florestal da LD Celulose estão distribuídas em 9 municípios da região do Triângulo Mineiro.

Figura1: Região de atuação da LD Celulose





8. Södra Cell Mörrum, Sweden, Latvia and Estonia the mill provided their sourcing info with maps:

a. Map in Sweden:

Götaland, Sweden



b. Map in Estonia:

ESTONIA (whole country)

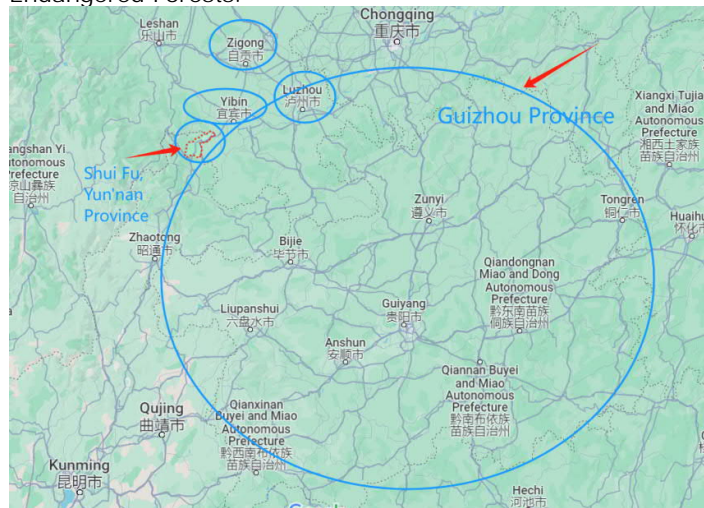


c. Map in Latvia:

LATVIA

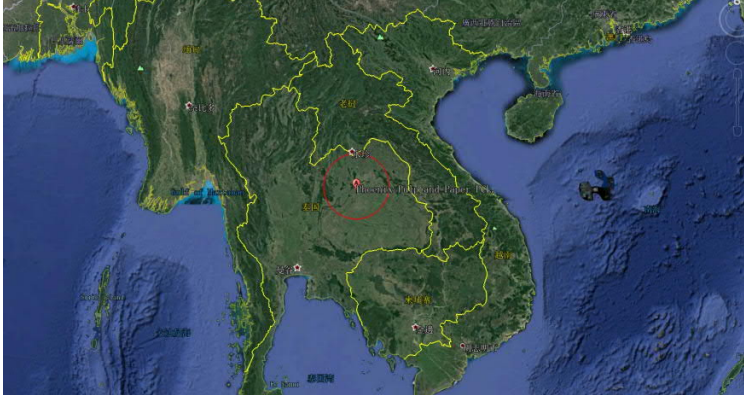


9. Yibin Paper Industry Co., Ltd. China
 The bamboo chips are sourced from Yibin, Neijiang, Zigong, Luzhou (Sichuan Province), Guizhou Province, and Shuifu (Yun'nan Province), and do not overlap with any Ancient & Endangered Forests.



10. AustroCel Hallein GmbH, Austria, no sourcing info on forest/planation origin provided.

11. Phoenix Paper & Pulp Public Company Limited, Thailand
 The mill provided the map of their sourcing radius:

	 <p>Since not all suppliers disclosed supply chain maps up to forest level, this indicator is graded as Commitment in Progress. Note, For supplier of RENEWCELL AB(Sweeden), the input material is recycled pulp.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: 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, it has been shared with Canopy also. The company is also willing to share with the Leaders Group.</p>
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company has developed and implemented the internal control procedure for dissolving pulp sourcing (Hiest, file No.: HS/QB-2017-11 , Yibin Grace Co., LTD. , file No.: GF/QB-2017-11, Corporate office, file No.22-2018) for the implementation of Pulp Procurement Policy, including requirements of evaluating suppliers on:</p> <ul style="list-style-type: none"> • Legality, • Violation of human risks and • third party's certificate • Use of Genetically Modified Organism

	<ul style="list-style-type: none"> Whether materials are purchased from tropical peatlands and/or intact forest landscapes, etc.
<p>2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company has published its updated supplier list on its website, including all suppliers used in 2022 and 2023: https://www.cn-grace.com/Uploadfiles/Files/2023-9-4/202394947178043.pdf</p>
<p>Summary:</p> <p>The company provided the sourcing information form which included information such as pulp mill name, volume and percentage from each pulp supplier, species info, and certification status of purchased pulp.</p> <p>Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info.</p> <p>Company developed additional criteria to complete their risk assessment to evaluated/control the risk of purchasing pulp, including risk of legality, violation of human and conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism etc.</p> <p>The Company had shared the assessment with Canopy, and with permission to share with the Leaders Group.</p> <p>The Company has published its updated supplier list on its website, including the suppliers used on the period from 01-April-2022 to 24-July-2023.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: No solid evidence provided from the Company as well as from the suppliers. Since there are FSC Controlled Wood, FSC Mix certified, FSC 100% certified as well as PEFC certified and 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"> - The only forest certification which guarantees no conversion after 1994 is FSC 100%. - PEFC certification at the forest level or in the supply chain does not preclude material originating from plantations. - FSC controlled wood does not necessarily exclude material originating from plantations established after 1994. - 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.
<p>Summary:</p> <p>No solid evidence provided from the Company, as well as from the suppliers that all plantation fibre is pre-1994. Since there are FSC Controlled Wood, FSC Mix certified, FSC 100% certified as well as PEFC certified and 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
<p>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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company's policies and procedures include the definitions of ancient & endangered forests, intact forests, and controversial sources as the CanopyStyle framework. See its public policy:</p> <p>http://slyly.symansbon.cn/resources1.aspx?t=12</p>
<p>4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p>

identified and shared with Canopy, with permission to share Leaders Group.**

Insufficient Information Available

Description of the finding:

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:

Supplier	Company Risk Assessment
Rayonier A.M. Canada G.P.	Low risk Multiple species from Rayonier A.M. Canada G.P.
AustroCel Hallein GmbH	Low risk Spruce species from Austria
LD CELULOSE S.A.	Low risk Eucalyptus from Brazil
Södra Skogsägarna ek. för., Södra Cell	Low risk. Birch (betula pendula and betula pubescens), aspen (populus tremula), beech (fagus sylvatica) from Sweeden
RENEWCELL AB	Low risk Recycle material from Sweeden
Phoenix Paper & Pulp Public Company Limited	Low risk Eucalyptus from Thailand
CELULOSA ARAUCO Y CONSTITUCIONS.A.	Low risk Radiata pine from Chile
CmpcPulpS.A	Low risk Eucalyptus from Braizil
Celulose Nipo-Brasileira S.A	Low risk Eucalyptus from Braizil
INTERNATIONALPAPERCOMPANY	Low risk South pine from USA
CELULOSA ARAUCO Y CONSTITUCIONS.A.	Low risk Eucalyptus Globulus&Nitens from Chile
Yibin Paper Industry Co., Ltd.	Low risk Bamboo from China

Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info. Detailed findings please refer to Indicator 2.3.

Company has shared the assessment information to auditors before audit and shared to Canopy and leader group also.

Given that not all supplier disclosed forest level info, as well as not all suppliers are graded as no sourcing issues according to

	<p>Canopy's Dissolving Pulp Mill Classification Tool, this indicator is graded as Commitment in Progress.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The policy was signed and adopted outside of the reporting period.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</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, fire prevention, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws.</p> <p>The company holds a number of third-party certificates, most of which covers the compliance with applicable law, including:</p> <ul style="list-style-type: none"> • FSC Chain of Custody • OEKO-TEX STeP (18000638) • Textile Exchange • Business Social Compliance Initiative, • Quality management certificate, • Environment Management System, • RCS Scope Certificate • EU BAT, • Higg Certificate, etc
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: The Company has conducted internal risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. However, not all suppliers can be verified as low risk. Note findings from 4.1-4.4 above.
Summary: The MMCF producer has adopted clear definitions for the terms included in their Policy. Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info. 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. The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. However, not all suppliers can be verified as low risk.	

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 All MMCF producers' suppliers are identified and the forest of origin is known.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are identified. Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info. Detailed assessment please refer to findings on indicator 2.3 & 4.2.
5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.** (Note: This means potential legal and contractual issues associated with	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding:

<p>withdrawal are identified and addressed.)</p>	<p>The Company included the policy and CanopyStyle requirement in the Procurement and external supplier control procedures (Hiest, file No.: HS/QB-2017-11, Yibin Grace Co., Ltd, file No.: GF/QB-2017-11, Corporate office, file No.: 22-20218).</p> <p>For file No.:22-2018, the item 3.2 has a description, if supplier does not follow the contract with no reasonable cause, Company will stop the cooperation with the supplier.</p> <p>For file No.: GF/QB-2017-11, the item 5.4.7, has a description, if the supplier did not follow the Fibre Procurement Policy of Protecting Forest, Yibin Grace Co., Ltd will require supplier to take corrective action, there was one-year period buffer time for the supplier. During the buffer time, purchases are suspended. If the supplier fails to take appropriate measures, the purchase shall be terminated.</p> <p>For file No.: HS/QB-2017-11, the item 6 has a description, if the supplier did not follow the Fibre Procurement Policy of Protecting Forest, Hiest will require supplier to take corrective action, there was one-year period buffer time for the supplier. During the buffer time, purchases are suspended. If the supplier fails to take appropriate measures, the purchase shall be terminated immediately.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>According to the <i>Procurement and external supplier control procedures</i>, it requires to document relevant documents.</p> <p>During the period of audit, no non-conformance has been found by the Company.</p>
<p>Summary:</p> <p>The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known. Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info. Detailed assessment please refer to findings on indicator 2.3 & 4.2.</p> <p>The Company included the policy and CanopyStyle requirement in the Procurement and external supplier control procedures (Yibin Hiest, file No.: HS/QB-2017-11, Yibin Grace Co., LTD. , file No.: GF/QB-2017-11, Corporate office, file No.:22-2018). It is including the measures that if supplier do not meet the requirements, Company will ask supplier to take corrective action within one year, otherwise Company will stop sourcing material. In addition, during the buffer time, the sourcing contract will be suspended.</p>	

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

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

Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <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>Description of the finding:</p> <p>The Deputy General Manager 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>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>Conformance with Indicator:</p> <ul style="list-style-type: none"> <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>Description of the finding:</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>
<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <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>Description of the finding:</p>

<p>credible and mutually agreed third party and made public. **</p>	<p>This indicator is only required when company's sourcing has been verified as coming from areas where there is record of conflict or human rights violations.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>Summary: The Deputy General Manager 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. Indicator 6.2-6.5 are only required when Company's sourcing has been verified as key priority areas of ancient and endangered forest.</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
<p>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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: 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. Currently, Company follows up this indicator via verifying their suppliers certification information and related materials (i.e public report/sustainable report and commitments, statement, relevant Policy etc) from suppliers.
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. **	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: All suppliers provided either statement/policy, latest sustainability report, sub-suppliers code of conduct, latest annual report or monitoring report on forest management introducing their commitments and/or efforts in recognizing and respecting human rights, community rights, First Nations rights and rights of workers. All dissolving pulp suppliers (except RENEWCELL AB, Sweeden which provides recycled cotton pulp) are FSC/PEFC certified. FSC certification as well as FSC Controlled Wood standard (including forest managers) contain FSC Core ILO requirements and association policy, could partially cover these requirements. And only FSC 100% could meet these requirements. PEFC certification can be referenced regarding indigenous rights. However not all PEFC affiliated standards have the same requirements regarding rights. Holding FSC -COC certification alone is not sufficient to document conformance with this commitment. Only pulp sourced from LD CELULOSE S.A. was FSC 100% and meet this requirement. Rest of the suppliers provided either PEFC certified, FSC Mix certified or FSC Controlled Wood claimed pulp. There is also non-certified pulp supplied to the Company, where there is not any guarantee the upstream suppliers are implementing this requirement.

	<p>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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company is FSC certified and also has a public grievance operation procedure to accept and handle complaints. (See indicators 1.8 and 1.9). There were FSC and PEFC certified pulp supplied to the Company which meet these requirements as FSC COC certification and FSC Controlled Wood source (including forest managers) require relevant companies to have such a mechanism for their scope. PEFC certificate also requires a complaints mechanism and resolution. However, there was also non-certified pulp supplied to the Company where the requirements cannot be confirmed to be met, as there is not any guarantee that there is a grievance mechanism implemented in these upstream suppliers. In addition, there has been documentation by conservation and civil society organizations about longstanding unresolved conflict between Arauco and Indigenous peoples in Chile over land use – see, for example, https://environmentalpaper.org/wp-content/uploads/2022/06/20220530-Arauco-en.pdf</p> <p>This indicator is considered as commitment in progress.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: For the Company: Thee Company has developed internal capacity and company structure to recognize and respect the rights of its workers, such as</p>

	<p>labor union, HR Department,. The HR policies and procedures samples were also provided to the auditor.</p> <p>It holds valid FSC Chain of Custody certificate (NC-COC-052139,), which requires the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work</p> <p>For suppliers:</p> <p>All suppliers provided either statement/policy, latest sustainability report, sub-suppliers code of conduct, latest annual report or monitoring report on forest management introducing their commitments and/or efforts in recognizing and respecting human rights, community rights, First Nations rights and rights of workers.</p> <p>There were FSC and PEFC certified pulp supplied to the Company which meet these requirements.</p> <p>Since not all suppliers provided certified pulp, there is not any guarantee that all upstream suppliers are in conformance with this requirement. This indicator is considered as commitment in progress.</p> <p>Note: FSC COC certification and FSC Controlled Wood source (including forest managers) require relevant companies to sign the policy for association is a declaration by the company that they are not involved in directly or indirectly with the activities that can violate workers' rights; for PEFC certificate, it also requires to recognize and respect the rights of the workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has requested the supplier to comply with CanopyStyle framework requirements. The requirement on not sourcing from sources where local community, worker and indigenous people's rights are violated has been included in the 2 mills' internal control procedure for dissolving pulp sourcing (Hiest, file No.: HS/QB-2017-11;, Yibin Grace Co., Ltd, file No.: GF/QB-2017-11).</p> <p>All suppliers (except RENEWCELL AB which provides recycled cotton pulp) are either PEFC</p>

	<p>or FSC certified companies which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>There were FSC and PEFC certified pulp as well as FSC Controlled Wood sourced pulp supplied to the Company which meet these requirements.</p> <p>However, since not all suppliers provided certified pulp, and there is no guarantee that upstream suppliers up to forest managers could meet these requirements.</p> <p>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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Recognition and respect for human rights is included in the Company's policy. Within the Company, there is a Labor union which actively participates the management of the Company.</p> <p>All suppliers (except RENEWCELL AB which provides recycled cotton pulp) 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>However, since not all suppliers provided certified pulp, and there is no guarantee that upstream suppliers up to forest managers could meet these requirements.</p> <p>In addition, there has been documentation by conservation and civil society organizations about longstanding unresolved conflict between Arauco and Indigenous peoples in Chile over land use – see, for example, https://environmentalpaper.org/wp-content/uploads/2022/06/20220530-Arauco-en.pdf</p> <p>This indicator is also a summary requirement of 7.1-7.5 and therefore is graded as Commitment in progress.</p>
<p>Summary:</p> <p>This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union, HR Department. The HR policies and procedures samples were also provided to the auditor.</p>	

Recognition and respect for human rights is included in the Company's policy. Within the Company, there is a Labor union which actively participates the management of the Company. Also, it holds some valid schemes e.g., FSC Chain of Custody (NC-COC-052139), 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.

For supplier, 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. There were FSC and PEFC certified pulp supplied to the Company which meet these requirements under indicator 7. Since not all suppliers provided certified pulp, there is not any guarantee that all upstream suppliers are in conformance with relevant requirements under indicator 7.


8. Development of Innovative and Alternative Fiber

Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has an internal action plan to explore and encourage the development of alternative fibre sources. Currently, the project named: <i>Research on recycling technology of MMCF raw materials is completed</i>. The Company has been engaging with a Swedish company (RENEWCELL AB) by importing recycled cotton pulp to produce filament yarn.</p> <p>Introduction, performance records as well as results of this project were provided during the audit.</p> <p>Below is a milestone list on the trial output:</p> <ol style="list-style-type: none"> 1. On December 13, 2021, 167 kg of filament yarn was produced using 100% CIRCULOSE recycled pulp, which reached the Chinese national standard GB/T 13758-2008 at premium grade. This fully verified the feasibility of using 100% recycled pulp for industrial production of viscose filament yarn. 2. On November 16, 2022, 259600 kg of filament yarn was produced by using 30% of CIRCULOSE recycled pulp, which achieved industrial mass production. 3. On April 25, 2023, 38 kg of GRACELL product was produced by using 50% CIRCULOSE recycled pulp. 4. It was planned to produce 400000 kg of GRACELL or relevant cotton products by using

	50% CIRCULOSE recycled pulp during August 2023
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: According to the Company, the R&D phase of this project has been successfully completed.</p> <p>Over 200 tons of filament yarn made with 30% of recycled cotton pulp had been produced which marked a success of its industrial mass production. However, the products haven't entered into mass sales yet.</p>
<p>Summary: The Company has an internal action plan to explore and encourage the development of alternative fibre sources. Currently, Company has finished a project: Research on recycling technology of MMCF raw materials. The Company has been engaging with a Swedish company (RENEWCELL AB) by importing recycled cotton pulp to produce filament yarn. Currently, Company has finished three times testing successfully.</p> <p>According to the Company, the R&D phase of this project has been successfully completed and now moved to the evaluation under Company's finance and economic committee during the audit. Over 200 tons of filament yarn made with 30% of recycled cotton pulp had been produced which marked a success of its industrial mass production. However, the products haven't entered into mass sales yet.</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company participated in meetings and events of green supply chain, eg., CHALLENGE THE FABRIC in May 2023, which focused on green textile, including challenge and sustainability..</p> <p>Note, Challenge The Fabric (CTF, https://challengethefabric.com), an international textile conference platform,</p>

	<p>hosted by EKMAN (a global pulp&paper trader) and Swedish fashion council, aims to scale impact through collaboration. The pioneering cross-industry initiative is a unique platform that enables the entire supply chain of man-made cellulosic fibres (MMCF) to meet, collaborate and create change. CTF invites industry leaders and stakeholders from the fashion, textile and forest industries shaping the industry of tomorrow. The Company also took part in the webinar on <i>NEXT GEN NOW</i> organized by Canopy.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company was involved in the joint initiative of Thank you for standing up for old-growth forests organized by AFA (NGO). A letter that the Company sent to BC government, Canada, calling on protection of endangered old-growth forests other and ecosystems.</p>
<p>9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has 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>World's MMCF Producers Call on the Convention of Biological Diversity to support implementation of conservation commitments: protect at least 30% of the world's forests by 2030</p> <p>全球再生纤维纤维生产商支持《生物多样性公约》兑现保护承诺：</p> <p>截至 2030 年保护至少 30% 的全球森林</p> <p>We, the undersigned companies, represent more than X% of the world's production capacity of man-made cellulosic fibre, supplying the world's leading fashion brands with products such as viscose, which is conventionally made from trees.</p> <p>我们所有联名签署企业代表全球再生纤维纤维产能的 X%，为世界领先的时尚品牌供应黏胶纤维等传统上产自木浆的产品。</p> <p>As part of the CanopyStyle Initiative, we have committed to not source our fibre from ancient and endangered forests, and to look for ways to reduce the use of virgin forest fibre, by using recycled and alternative materials instead of trees. More than 530 brands, with over US\$900 billion in annual revenue, to whom we sell our products, have similarly committed to buying MMCF that meets these criteria.</p> <p>通过加入 CanopyStyle 倡议，我们承诺淘汰供应链中来自原始濒危森林的原材料，积极探索降低原生森林材料的使用，采用回收型和替代性材料替代木浆。购买我们产品的品牌商客户超过 530 多家，总营业额超过 9,000 亿美元，都承诺只与满足标准的再生纤维纤维生产商合作。</p> <p>We support conservation efforts that protect what little remains of the world's increasingly rare and irreplaceable forests, as an essential way to address the climate and biodiversity crises that we currently face.</p> <p>我们支持全球仅存的越来越稀有、不可替代的森林的保护工作，这是应对目前的气候和生物多样性危机的必要途径。</p> <p>We wish to congratulate all countries that are Party to the CBD on last year's successful agreement of the Kunming-Montreal Global Biodiversity Agreement, in which you collectively agreed to:</p> <p>我们想要祝贺《生物多样性公约》所有缔约方在去年成功通过了《昆明-蒙特利尔全球生物多样性框架》；通过该框架，各国集体承诺：</p> <p>Signed, 签署方</p>  <p>[logos/signatures of organizations/representatives] 【公司的 logo/公司代表的签名】</p>
<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. * *</p>	<p>Conformance with Indicator:</p> <p><input 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>Description of the finding:</p> <p>The company is not developing and implementing any programs to increase the endangered species population and the maintenance of their habitat. Since this MMCF producer is not directly connected to management of the forests of origin, this requirement is considered Not Applicable.</p>
<p>Summary:</p> <p>The Company joined and supported the CHALLENGE THE FABRIC forum, hosted by EKMAN (a global pulp&paper trader) and Swedish fashion council, focused on green textiles. Also, Company took part in the webinar on <i>NEXT GEN NOW</i> organized by Canopy..</p> <p>Company was involved in the joint initiative of <i>Thank you for standing up for old-growth forests</i> organized by AFA (NGO). A letter that Company sent to BC government, Canada, calling on protection of endangered old-growth forests other and ecosystems.</p> <p>However, company was not 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>	

10. Responsible Forest management	
Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The FSC certified pulp the company purchased accounts for the total purchase volume:</p> <ul style="list-style-type: none"> - From 01-Mar-2021 to 30-Apr-2022, 79.77%. Mainly is FSC Mix and FSC CW. FSC 100% is Zero. - From 01-May-2022 to 30-May-2023 90.08%. Mainly is FSC Mix and FSC CW, FSC 100% is 8%. <p>During the audit, the company provided the purchase accounting table. The auditor sampled and checked the procurement contracts and invoices/transportation documents for FSC certified pulp. (e.g., purchased from Arauco, Cmpc Pulp S.A, Celulose Nipo-Brasileira S.A and LD CELULOSE S.A. etc)</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>In the sourcing policy, it is stated the organization source fibre with the preference for FSC certification.</p> <p>Company has an action plan to increase FSC intake:</p> <ul style="list-style-type: none"> - the target for 2024 is increasing FSC certified material up to 85% of the total procurement. - target for 2025 is increasing FSC certified material to 90% of the total procurement and more focus will be put on FSC 100% certified material.
<p>Summary:</p>	

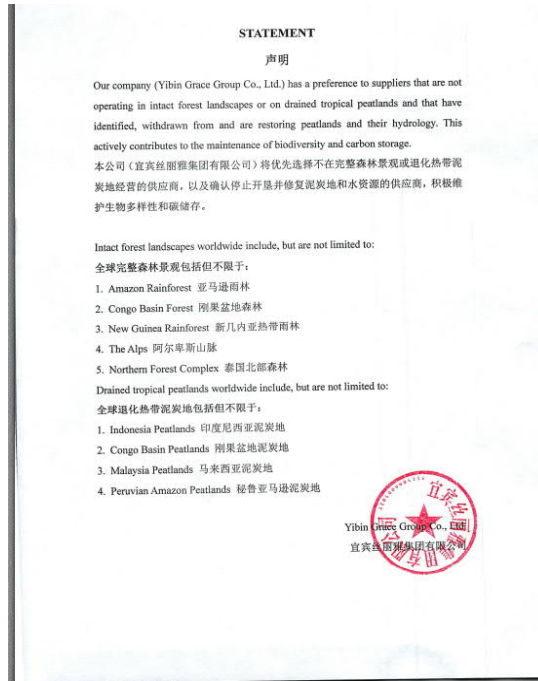
The Company has made the commitment as of required in the Company’s sourcing policy to preference on FSC certified materials. In the sourcing policy, it is stated the organization source fibre with the preference for FSC certification. The company has been increasing FSC uptake since 2021.

The Company has an action plan to increase the FSC intake which was approved in July 2023. The company is increasing FSC intake practically, while it needs to be verified in the future again.

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

Indicators	Findings
<p>11.1 The MMCF producer has procedures to evaluate their suppliers’ performance in reducing GHG.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has established and implemented a procedure (<i>Supplier GHG emission assessment procedure,</i>) to evaluate suppliers’ performance in reducing GHG. Company also issued a statement about GHG, which was consistent with its procurement policy.</p> <p>During this audit, all the suppliers provided their annual report, environment and climate policy, and/or sustainability report in which introduction on their efforts in reducing GHG are provided.</p>
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has a procedure (<i>Pulp supplier procurement evaluation procedure-Regarding procurement of tropical peatlands and/or intact forest landscapes</i>) to prevent sourcing from tropical peatlands and/or intact forest landscapes.</p> <p>The Company states that they prefer to choose those suppliers that are not</p>

operating in tropical peatlands and/or intact forest landscapes:



And Company has developed and implemented the internal control procedure for dissolving pulp sourcing (Hiest, file No.: HS/QB-2017-11 , Yibin Grace Co., Ltd., file No.: GF/QB-2017-11) for the implementation of Pulp Procurement Policy, where the suppliers are subjected to the monitoring and evaluation from the company.

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. In addition, there is non-certified dissolving pulp supplied as well, where the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.

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. Therefore, the final conclusion is that FSC 100% and FSC CW could be sourced

	<p>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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Based on the company's sourcing policy, it does not source material originating from intact forest landscapes or on drained tropical peatlands.</p> <p>The Company also provided the statement on 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>The Company also conducted risk assessment for its supply chain in 2022, and not operating on these areas was one of the assessment criteria.</p> <p>The company gives preference to the FSC certified pulp and there are both FSC certified and FSC CW claimed material supplied to the Company, in addition, the Company is planning to increase the intake of FSC certified pulp.</p> <p>FSC can help reduce the risk/probability of material from intact forest landscapes or on drained tropical peatlands, although there is still possibility that certified material still could be sourced from peatlands and IFLs as FSC gives exemptions (for example, when they are not classified as HCV; the converted area is very limited).</p>
<p>Summary:</p> <p>The Company has established and implemented a procedure (<i>Supplier GHG emission assessment procedure</i>) to evaluate suppliers' performance in reducing GHG. Company also issued a statement about GHG, which was consistent with its procurement policy.</p> <p>The company has a procedure (Hiest, file No.: HS/QB-2017-11. Yibin Grace Co., Ltd., file No.: GF/QB-2017-11) for the implementation of Pulp Procurement Policy, where the suppliers are subjected to the monitoring and evaluation from the company to prevent sourcing from tropical peatlands and/or intact forest landscapes.</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. In addition, there is non-certified dissolving pulp supplied as well, where the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.</p>	

Based on the company's sourcing policy, it does not source material originating from intact forest landscapes or on drained tropical peatlands. The Company also provided the statement on 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. Also, The Company also conducted risk assessment for its supply chain in 2022, and not operating on these areas was one of the assessment criteria.

12. Pollution Prevention	
Indicators	Findings
<p>12.1 *This verification process <u>will not</u> verify at first hand the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<p>Conformance with Indicator:</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>Description of the finding:</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>
Summary:	

** Indicates Critical Indicators

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

1. Evaluation of Participating site: Yibin Hiest Fibre Limited Corporation

Primary Responsible Person: (Responsible for control system at site(s))	Ms. Zhou Hongmei, General Manager Assistant of Hiest
Auditor(s):	Ms. Zhou Peiyong, Mr. Zeng Jianhua
People Interviewed, Titles:	Mr. Luo Junzhu, Deputy Product Manager Mr. Zhou Yanhui, Quality Department staff Mr. Wen Gongmin, Deputy Manager of Material Management Mr. Zhong Wei, Product Manager Mr. Liu Yong, Production Technician
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 3.3 above for Description of Overall Audit Process.</i>
Comments:	<ol style="list-style-type: none"> 1.This mill is responsible for viscose filament yarn production 2.The Company Corporate Office centralizes pulp sourcing but the actual importer for all the overseas pulp for the 2 mills is Yibin Hiest Fibre Limited Co.(, as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. 3.All dissolving pulp is stored at an independent storage area outside of the 2 mills, observed during the mill tour.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The policy was public on the company's website: http://slyly.symansbon.cn/resources1.aspx?t=12 , or https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf</p> <p>The Company has organized several training sessions on the policy and Canopy requirements since last audit. Training records were provided for auditor review. Attendance sheets were presented and reviewed, indicating the key staff participated the training.</p> <p>The training records of implementing of policy were provided, including:</p> <ul style="list-style-type: none"> • 26 May 2023, Canopy basics and pulp sourcing SOP training • 11 August 2023, Canopy audit guidance <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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>According to the Corporate Office 's procedure (<i>Supplier management procedure</i>, File No.: 22-2018) , Hiest developed the SOP (Sourcing and supplier management procedure, file No.: HS/QB-2017-11) for the implementation of Canopy sourcing policy with the mill that ensures the wood pulp sourcing policy is implemented.</p> <p>The mill staff is trained and aware of the responsibilities related to their function/positions, including traceability and segregation system. i.e collect relevant material from suppliers etc.</p> <p>During audit, the staff at the warehouse can identify the supplier for each pile of pulp. Each pack of pulp has identification card. The pulp from each supplier is stored in separate warehouse or area. The production department is able to identify the input material for each batch of products.</p>
<p>Summary: The mill has been trained on the policy and Canopy requirements since last audit. Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</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>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from 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>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment. As document review, field observation and staff review, 6 pulp suppliers have been supplying with an earliest procurement started from Oct 2021, all of which have been included in supplier list and risk assessments.</p>

	<p>Observation:</p> <p>During the mill visit, auditors found some pulp at warehouse which was not declared during the audit (Named Yunjing Pulp_Paper pulp) from Yunnan Yunjing Forest & Pulp Co.,Ltd. It is non-certified pulp. This company locates in Yunnan province, China which does not list in CANOPYSTYLE CLASSIFICATION OF DISSOLVING PULP MILLS, as well as does not list in its declared <i>Sourcing Information List</i> and <i>Contract List</i>. Company provided some collected materials of this mill. i.e PEFC and CFCC certificate (code: CFCC/PEFC-FM-ZTFC-000025), certificate: Good Labor relationship Enterprise in Yunnan Province, public forest management information etc.</p> <p>The Company provided three purchase contracts (<i>No.SLY20220501, No.SLY20220801, No.20221001</i>) which showed that a total 7,000.0 ton pulp, the provided VAT invoices showed that a total 294.8 ton were indicated.</p> <p>The Company later on also provided sales contract and invoice for the sale of 160 ton of the Yunjing Pulp (<i>Contract No. FIC-BSGF-2023089</i>). There is sufficient evidence to show that this pulp has not entered the company's MMCF supply chain.</p>
<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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>During the audit, the company provided the purchase accounting table.</p> <p>Auditors sampled 3 sets of purchasing documentations from each supplier for verification.</p> <p>All certified and/or FSC Controlled Wood claimed transaction documents carry relevant certification code and claim except:</p> <ul style="list-style-type: none"> - Rayonier A.M. Canada: it's declared in sourcing info form that the pulp supplied is FSC Controlled Wood claimed, however the samples showed that the pulp supplied has no FSC Controlled Wood claim. <p>AustroCel Hallein: it's declared in sourcing info form that the pulp supplied is PEFC certified. However, among the 3 samples of documentation, complete certificate code and claim info only show on the invoice/delivery documentation from Contract No. 03917. For Contract No. 03703, there is no certificate code and claim shown on the invoice/delivery documentation. For Contract No.04131, the invoice only carries certificate code, no claim.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: <p>During the audit, the company provided the purchase accounting table (updated on 15-Aug-2023).</p> <p>From April 1st,2022 to Augst 15th, 2023, total 63,790tons pulp were purchased, and 43,658tons were received /stocked-in, and20,132 tons pulp has not delivered from suppliers.</p> <p>In addition, 38,675tons out of 43,658tons pulp had used for production. Currently, the warehouse still has 4,983 tons.</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>	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <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>Summary:</p> <p>The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd. The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment. As document review, field observation and staff review, 6 pulp suppliers are used with an earliest procurement started from Oct 2021, all of which have been included in supplier list and risk assessments.</p> <p>Auditors sampled 3 sets of purchasing documentations from each supplier for verification. Hiest provided the summary data of sourcing, total 63,790 tons were purchased.</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>	

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>	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met

	<input type="checkbox"/> Insufficient Information Available Description of the finding: 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 for corporate audit.
Summary: 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 for corporate audit.	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.	
Indicators	Findings
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.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: 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, fire prevention, etc. There is no news and info disclosed that the organize is non-compliance with national and international laws.
4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not <u>receive</u> wood from Priority Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and from controversial sources.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). HiestBy interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources. The 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.
4.3 Production mills have conducted assessment of presence of Ancient and Endangered forests, as outlined in the Advice Note and other controversial sources in their wood supply areas.	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
4.4 The sourcing from regions that contain Ancient and Endangered forests, as outlined in the Advice Note and other controversial sources, is verified to be low risk by this CanopyStyle audit.	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>Summary:</p> <p>The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd.</p> <p>The supplier assessment was conducted by the corporate office.</p> <p>The staffs were aware all relevant laws and regulations. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. No evidence showed the company is non-compliant with national and international laws.</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>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p>Description of the finding:</p>

	<p>According to corporate office's Supplier Management Procedure (file No.:22-2018), Hiest developed its Sourcing and Supplier Management Procedure (file No.: HS/QB-2017-11) and conducted supplier performance monitoring. Once any non-conformance was raised, supplier was asked to take corrective action within one year, otherwise Hiest will stop cooperation with the supplier. And related sourcing will be suspended in the buffer time also.</p>
<p>Summary: According to the Company office's Supplier Management Procedure (file No.:22-2018), Hiest developed its Sourcing and Supplier Management Procedure (file No.: HS/QB-2017-11) and conducted supplier performance monitoring. Once any non-conformance was raised, supplier was asked to take corrective action within one year, otherwise Hiest will stop cooperation with the supplier. And related sourcing will suspend in the buffer time also.</p>	

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

1. Evaluation of Participating site: **Yibin Grace Co., Ltd.**

<p>Primary Responsible Person: (Responsible for control system at site(s))</p>	<p>Mr. Xiaodong Hu, General Manager</p>
<p>Auditor(s):</p>	<p>Ms. Zhou Peiying, Mr. Zeng Jianhua</p>
<p>People Interviewed, Titles:</p>	<p>Ms. Ying Yang, Deputy HR Manager Ms. Fan Lijuan, Deputy Finical manager Mr. Li Chundi, Mill Director Mr. Cheng Xiaojun, Sourcing Manager</p>
<p>Brief Overview of Audit Process for this Location:</p>	<p><i>Please refer to Section 3.3 above for Description of Overall Audit Process</i></p>
<p>Comments:</p>	<p>1, This mill is responsible for viscose staple fiber production 2, The Company's corporate office centralizes pulp sourcing but the actual importer for all the overseas pulp for the 2 mills is Yibin Hiest Fibre Limited Co.,as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. 3, All dissolving pulp is stored at an independent storage area outside of the 2 mills, observed during the mill tour.</p>

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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The policy was public on the company's website: http://slyly.symansbon.cn/resources1.aspx?t=12 , or https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf</p> <p>The Company has organized several training sessions on the policy and Canopy requirements since last audit. Training records were provided for auditor review. Attendance sheets were presented and reviewed, indicating the key staff participated the training.</p> <p>The training records of implementing of policy were provided, including:</p> <ul style="list-style-type: none"> • 26 May 2023, Canopy basics and pulp sourcing SOP training • 11 August 2023, Canopy audit guidance <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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: According to the Company office's Supplier Management Procedure (file No.:22-2018), Yibin Grace Co.Ltd developed its Sourcing and Supplier Management Procedure (file No.: GF/QB-2017-11) and conducted supplier performance monitoring. Once any non-conformance was raised, supplier was asked to take corrective action within one year, otherwise Yibin Grace Co.,Ltd will stop cooperation with the supplier. And related sourcing will suspend in the buffer time also.</p>

	<p>The mill staff is trained and aware of the responsibilities related to their function/positions, including traceability and segregation system. i.e collect relevant material from suppliers etc.</p> <p>During audit, the staff at the warehouse can identify the supplier for each pile of pulp. Each pack of pulp has identification card. The pulp from each supplier is stored in separate warehouse or area. The production department is able to identify the input material for each batch of products.</p>
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Summary: The mill has been trained on the policy and Canopy requirements since last audit. Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.

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
2.1 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u> .	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd. For the domestic bamboo pulp, the actual purchaser is the corporate office. The purchase documents of dissolving pulp are maintained at the corporate office (HQ). The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u> .	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and the other mill_Yibin Grace Co.,Ltd. For the domestic bamboo pulp, the actual purchaser is the corporate office. The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p>

	<p>The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment.</p> <p>As document review, field observation and staff review, 6 pulp suppliers are used with an earliest procurement started from Oct 2021, all of which have been included in supplier list and risk assessments.</p> <p>Observation:</p> <p>During the mill visit, auditors found some pulp at warehouse which was not declared during the audit (Named Yunjing Pulp_Paper pulp) from Yunnan Yunjing Forest & Pulp Co.,Ltd. It is non-certified pulp. This company locates in Yunnan province, China which does not list in CANOPYSTYLE CLASSIFICATION OF DISSOLVING PULP MILLS, as well as does not list in its declared <i>Sourcing Information List</i> and <i>Contract List</i>. Company provided some collected materials of this mill. i.e PEFC and CFCC certificate (code: CFCC/PEFC-FM-ZTFC-000025), certificate: Good Labor relationship Enterprise in Yunnan Province, public forest management information etc.</p> <p>The Company provided three purchase contracts (<i>No.SLY20220501, No.SLY20220801, No.20221001</i>) which showed that a total 7,000.0 ton pulp, the provided VAT invoices showed that a total 294.8 ton were indicated.</p> <p>The Company later on also provided sales contract and invoice for the sale of 160 ton of the Yunjing Pulp (<i>Contract No. FIC-BSGF-2023089</i>). There is sufficient evidence to show that this pulp has not entered the company's MMCF supply chain.</p>
<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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>During the audit, the company provided the purchase accounting table.</p> <p>Auditors sampled 3 sets of purchasing documentations from each supplier for verification. All certified and/or FSC Controlled Wood claimed transaction documents carry relevant certification code and claim.</p>

<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>During the audit, the company provided the purchase accounting table (updated on 15-Aug-2023).</p> <p>From April 1st,2022 to Augst 15th, 2023, total 263, 245tons pulp were purchased, and 147,235tons were received /stocked-in, and 116,010 tons pulp has not delivered from suppliers.</p> <p>In additionally, 134,677tons out of 147,235tons pulp had used for production. Currently, the warehouse still has 12,558tons.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>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>Summary:</p> <p>The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both Hiest and Yibin Grace Co.,Ltd. For the domestic bamboo pulp, the actual purchaser is the corporate office. The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment.</p> <p>As document review, field observation and staff review, 6 pulp suppliers are used with an earliest procurement started from Oct 2021, all of which have been included in supplier list and risk assessments.</p> <p>During the audit, the company provided the purchase accounting table. Auditors sampled 3 sets of purchasing documentations from each supplier for verification. All certified and/or FSC Controlled Wood claimed transaction documents carry relevant certification code and claim.</p> <p>During the audit, the company provided the purchase accounting table (updated on 15-Aug-2023). From April 1st,2022 to Augst 15th, 2023, total 263, 245tons pulp were purchased, and 147,235tons were received /stocked-in, and 116,010 tons pulp has not delivered from suppliers.</p> <p>The samples of trade and transport documents for outgoing products were provided to the auditor. Certificate info is shown on the documents when relevant.</p>	

3. No conversion of natural forest to plantations.	
Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in plantations established before 1994**	<p>Conformance with Indicator:</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: 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 for corporate audit.</p>	
<p>Summary: 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 for corporate audit.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.	
Indicators	Findings
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>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
<p>Description of the finding: The 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, fire prevention, etc. There is no news and info disclosed that the organize is non-compliance with national and international laws.</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,	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress

<p>as outlined in the Advice Note and from controversial sources.</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and Yibin Grace Co.,Ltd. The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>The 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 Ancient and Endangered forests, as outlined in the Advice Note and other controversial sources in their wood supply areas.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The assessment was conducted by corporate office. 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 Advice Note and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>Summary: The Company's corporate office is responsible for material sourcing, but Hiest is the one who actually conducts the procurement for all the overseas pulp for both itself and Yibin Grace Co.,Ltd. The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p>	

The 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.

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

Indicators	Findings
<p>5.1 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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: According to the Company office's Supplier Management Procedure (file No.:22-2018), Yibin Grace Co.Ltd developed its Sourcing and Supplier Management Procedure (file No.: GF/QB-2017-11) and conducted supplier performance monitoring. Once any non-conformance was raised, supplier was asked to take corrective action within one year, otherwise Yibin Grace Co.,Ltd. will stop cooperation with the supplier. And related sourcing will be suspended in the buffer time also.</p>
<p>Summary: According to the Company office's Supplier Management Procedure (file No.:22-2018), Yibin Grace Co.,Ltd developed its Sourcing and Supplier Management Procedure (file No.: GF/QB-2017-11) and conducted supplier performance monitoring. Once any non-conformance was raised, supplier was asked to take corrective action within one year, otherwise Yibin Grace Co.,Ltd. will stop cooperation with the supplier. And related sourcing will be suspended in the buffer time also.</p>	

Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

Canopy applauds Yibin Grace for completing its third CanopyStyle audit. The audit shows that the company has improved its implementation efforts by developing procedures, collecting detailed forest of origin information from its suppliers, updating its risk assessment to include all controversial sources (such as GMOs, legality, human rights etc.). The company has also shown leadership by increasing its use of FSC certified fibres, supporting forest conservation initiatives, and launching a commercial product containing Next Generation fibres.

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

- Update contracts with suppliers to include requirements related to your company's forest procurement policy and ensure that these conditions are met;
- Conduct additional supplier engagement to determine plantation dates for all fibre that comes from plantations;
- Continue to scale-up commercial products containing Next Generation alternative fibres;
- Source bamboo that is certified to FSC 100%;
- With support from Canopy, continue to support advocacy actions for the conservation of key priority forest regions;
- Continue to adopt best in class processing technologies. Work with experts in the field to implement pollution control technologies to limit their impact. Implement the new ZDHC MMCF guidelines for chemical management, which give suppliers unified criteria for measuring output indicators like wastewater, sludge, air emissions and other process- related parameters.

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

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



Once again, we congratulate you for the completion of your third audit and for proactively taking steps to implement your CanopyStyle policy. We look forward to working collaboratively with Yibin Grace to address any outstanding issues.