

CanopyStyle Audit Report for Xinxiang Chemical Fiber Co.,Ltd

Annual audit 2021

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Organisation Contact

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INTRODUCTION

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

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

The purpose of this report is to document performance of *Xinxiang Chemical Fiber Co., Ltd.* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 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 320 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

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

Xinxiang Chemical Fiber Co., Ltd. was established in March 1993 by the exclusive sponsor of Xinxiang Chemical Fiber Factory (now renamed as Xinxiang Bailu Investment Group Co., Ltd.) in the form of directional raising. Currently the number of employees amounts to 8,685. Xinxiang Chemical Fiber Co., Ltd is a major subsidiary of the group which has two mills with 200,000 tons of designed production capacity, 80,000 tons of which is man-made cellulosic fiber (MMCF) and the rest is spandex. It boasts four research platforms, such as Henan province chemical Invest Group engineering research center and more than 80 national patents.

It holds a number of third-party certificates, including:

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

It has also entered the preparation stage for the SA8000 certification. Furthermore, the company has completed the self-evaluation based on the Higg FEM (Facility Environment Modules) Index.

1.2 Company scope (sites, locations, etc)

Xinxiang Chemical Fibre Co., Ltd is involving in business of man-made cellulosic fibre, including the purchase of raw material and production of MMCF. Xinxiang Chemical Fiber Co., Ltd. has two viscose mills, both are located in Xinxiang City, Henan province:

- No. 1 Jinyuan road, Fengquan district, Xinxiang city, Henan province;
- South side of Xinchang road, Economic development area, Xinxiang city, Henan province.

The headquarter resides in the first mill and is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mills.

1.3 Company sourcing policy

The Company published their Fibre Procurement Policy for Protecting Forests being effective on 8th December 2015, and committed to

- Conserve Ancient and Endangered Forests and intact forest landscapes.
- Recognize, respect and uphold human rights of communities
- Develop innovative and alternative fibre programme
- Advocate for conservation solutions
- Promote forest certification
- Transparency, traceability and verification
- Reduce greenhouse gas emissions
- Prevent pollution
- 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:	Approximately 48% Dissolving pulp and 52% cotton fibre	
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No comments:
Mill Capacity:	80,000 tons viscose rayon filament yarn /year	
Primary Activity:	Viscose rayon filament yarn	
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:	Permanent female:
	Contract male: 5725	Contract female: 2960
	TOTAL: 8685	

Sites included in evaluation	Location
Xinxiang Chemical Fiber Co., Ltd. office	No. 1 Jinyuan road, Fengquan district, Xinxiang city, Henan Province
Mill 1 (old factory, established in 1964)	No. 1 Jinyuan road, Fengquan district, Xinxiang city, Henan Province.
Mill 2 (new factory, established in 2005)	South side of Xinchang road, Economic development area, Xinxiang City, Henan Province.

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Peiyong Zhou	Responsible Sourcing Specialist; Qualified LegalSource auditor; Rich experience in timber legality related projects, especially in EUTR, FLEGT Action Plan (VPAs) related activities. Adequate knowledge and understanding in international timber legality requirements.

3.2 Audit Overview

This is the 2nd audit which is composed of the corporate desktop audit and up to 2 short notice audits. The corporate desktop audit also contains one video conference/interview which took place on 25th of March, 2021.

3.3 Description of Overall Audit Process

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

On 25 March 2021, the audit started with an opening meeting **via Tencent meeting application remotely** with the presence of management representative and the key staff from relevant departments. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. Also, the management representative gave a brief introduction of the Company and operation activities and the effort made on Canopy sourcing policy.

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

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

After reviewing the documents, the auditor communicated with the company on initial findings and asked for additional documents and information.

Short-notice audit to the viscose mills:

Preferred by Nature (NEPCon) announced the short-notice audit on 10 June 2021. On 11 June 2021, the auditor started the onsite audit with an opening meeting with the presence of top management and key staff from all relevant departments. The objective and scope of the audit, agenda, conflict of interest issues, etc were introduced by the auditor. The management representative also gave a brief introduction of the company and the operation activities it involves.

Following the opening meeting, the auditor interviewed the management team on the practices and strategic plan on Canopy policy commitment. And then the auditor also reviewed supplementary documents.

After that, the auditor toured the company's two mills including the production line and warehouses. In combination with reviewing documents and visiting the company's facilities, the auditor interviewed the staff from various departments: production, warehouses, purchase, HR, R&D etc.

The closing meeting was held at the office at around 16:30 on 11 June 2021 with the presence of the management. During the meeting the main findings were presented and explained to the company.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

The company has made significant attempts to collect more information from suppliers to evaluate risk, and confirmed low risk for 3 of their 5 suppliers. 2 suppliers remain with potential risk of sourcing from ancient and endangered forests (proximity to Intact Forest Landscapes).

Positive Findings:

The Company has developed and has been implementing the sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The operating manual was developed by the HQ and shared with the 2 mills.

The Company provided several training sessions to the staff at different levels. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

The purchase department has collected the information from all five suppliers and conducted risk assessments. The pulp suppliers list was made public on the Company's official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group.

The Canopy sourcing policy has been communicated to the suppliers. The requirements to implement the policy have been included in the contract with all suppliers and a supplementary agreement has been added to the contract to all suppliers. The company has developed an action plan to increase FSC purchase – increase the proportion of FSC certified inputs.

In 2020, the company launched Bailu-ECOTM sustainable viscose filament products which made from recycled pulp (recycled cotton fibre accounts for 5%). The company has started an R&D project on fibre recycling technology for recycling waste textiles in January 2021.

The company has obtained the EUBAT certification and is a participant in ZDHC. Finally, the company established a procedure to evaluate the suppliers' performance in reducing GHG.

Areas for Improvement:

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin (in 2019 and 2020, the company conducted risk assessments of its suppliers twice), but most often received only enough information to locate the dissolving pulp mill location. Therefore, sometimes origin of material is only known at a country or state/regional level, creating a broad sourcing area with potential overlap with Ancient and Endangered forests. More information on forest of origin is needed to understand if these mills are in fact sourcing from Ancient and Endangered forests or other controversial sources.

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 in relation to Ancient and Endangered forests. When comparing the company risk assessment with the new Canopy classification tool, there are differing risk results, which are noted below.

Note: The company has ceased production of staple fibre based on its own development plan. All procurement of dissolving pulp for staple fibre production came to a halt in 2019.

For the filament fibre production, Borregaard AS (Norway) and Fortress Specialty Cellulose INC (Canada) were supplying previously. The company stopped purchasing from these 2 suppliers in 2019 due to the fact that the price from Borregaard was not competitive and the quality of the dissolving pulp sold from Fortress was not satisfactory, as well as Fortress has stopped production itself. Therefore, the valid suppliers are as follows:

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
COSMO SPECIALTY FIBERS.	Low risk	In proximity to coastal temperate rainforests and Intact Forest Landscapes. Further sourcing information and/or auditing required.
DOMSJO FABRIKER AB	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
AustroCel Hallein GmbH	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Stora Enso International Oy	Low risk	Further sourcing information and/or auditing required. -Mill is located in proximity to IFLs -Policy of no sourcing from IFLs, but verification required. The mill must verify the following to update status in this classification.
Södra Skogsägarna ek. för., Södra Cell	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.

4.2 Summary of findings

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

** Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a 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 company structure to implement the Policy.	<i>Commitment Met</i>
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	<i>Commitment Met</i>
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment in Progress</i>
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<i>Commitment in Progress</i>
	1.8 The MMCF producer has put in place a grievance procedure.	<i>Commitment Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Not Applicable</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **	<i>Commitment in Progress</i>
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>
	2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment Met</i>

	2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organisms.	<i>Commitment Met</i>
	2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	<i>Commitment in Progress</i>
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", "high conservation value", "high carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	<i>Commitment Met</i>
	4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	<i>Commitment in Progress</i>
	4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	<i>Not Applicable</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<i>Commitment Met</i>
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<i>Commitment in Progress</i>
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<i>Commitment in Progress</i>
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to	<i>Commitment Met</i>

	<p>withdrawing from purchase and other agreements in situations where non-conformance is found. **</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<i>Commitment Met</i>
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	<i>Not Applicable</i>
	6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	<i>Commitment in Progress</i>
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	<i>Not Applicable</i>
	6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOS. **	<i>Not Applicable</i>
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively 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. **	<i>Not Applicable</i>
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	<i>Commitment Met</i>

chain and affiliated companies		
	7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **	<i>Commitment in Progress</i>
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	<i>Commitment in Progress</i>
	7.4 The MMCF producer and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers	<i>Commitment Met</i>
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	<i>Commitment Met</i>
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	<i>Commitment in Progress</i>
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment 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>Not Applicable</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation	<i>Commitment in Progress</i>

	areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	
	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 in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment Met</i>
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment in Progress</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment Met</i>
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmapzero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<i>Not Applicable</i>

4.3 Volume Summaries⁵

Reporting period: 2019.1-2020.12

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)		
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		

⁵ The volume summary is provided by the organization.

FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	14,792.10	27%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).		
Non-FSC	Material received with no FSC claim.	29,930.70	55%
PEFC	Material received with a PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	10,051.16	18%

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

1. Evaluation of Site: Corporate HQ

Primary Responsible Person: (Responsible for control system at site(s))	Suling Liu, Assistant to the Director of Corporate Management Department
Auditor(s):	Peiyong Zhou
People Interviewed, Titles:	Deshun Song, General Manager Jizhang Chen, Director of Import&Export Division Xuechang Yue, Purchase Department Huimin Zhang, Director of Technical Department Lei Shi, Technician, Technical Department Zhihong Luo, Deputy Dean of Bailu New Materials Research Institute Junjiang Xiao, Technician, Bailu New Materials Research Institute Yanmei Hao, Chairman of the Labour Union Chongxiang Zhao, Technician, Production Management Division Jiagui Geng, Technician, Energy Saving Office Junjiang Jia, Director of Corporate Management Department Suling Liu, Assistant to the Director of Corporate Management Department Jujie Ruan, Certifier, Corporate Management Department Quanfang Li, Certifier, Corporate Management Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 3.3 above for Description of Overall Audit Process.</i>
Comments: Xinxiang Chemical Fiber Co.,Ltd headoffice is responsible for development and enforcement of the company sourcing policy and raw materials purchasing for the two mills in Xinxiang City, Henan Province, China.	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	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 made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective in 8th December 2015). The policy was posted on the website: http://www.bailu.cn/newsinfo/1294445.html</p> <p>The interview with the management team at the video conference confirmed that the management team were well informed the definition of ancient and endangered forests and other controversial sources and were fully committed to implement Canopy fibre 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 <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 SOP (Q/CanopyStyle cx-01-2019) to implement of the fibre sourcing policy, including objectives, purchase policy, supplier management procedure, action plan, etc. The company has developed procedures to only purchase the wood pulp in compliance with the purchase policy. The supplier with high risk will be suspended. The supplier who does not provide sufficient information must take actions within deadline (6 months). If the non-conformity is not solved by the supplier within the deadline, the company will stop purchase. The records of communication to the suppliers were reviewed, including request of supply chain information and action plan. The SOP is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p>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 appointment letter for implementation of Canopy requirements are provided.</p> <p>The General Manager has the overall responsibility in handling the company's CanopyStyle management system, including establishing, implementing, maintaining and continuously improving the effectiveness of the</p>

	<p>system, and ensuring the implementation for the Canopy fibre policy.</p> <p>The purchasing department (esp. the Import & Export Division as well as Supply Division) is assigned and responsible for the implementation of the policy, including communication with suppliers, develop new suppliers as well as maintenance of current ones, and handling of the complaints from stakeholders related to CanopyStyle fibre policy implementation. A signed commitment letter from the Import & Export Division is provided to the auditor (signed by Jizhang Chen, Director of Import & Export Division).</p> <p>The responsibility of implementing the policy is included in Company structure and responsibility division.</p> <p>Other departments are also involved, such as Corporate management department. It is in charge of contact with Canopy and audit body, internal monitoring of Canopy policy implementation and support policy activities.</p>
<p>1.4 The MMCF producer has developed capacity and Company structure to implement the 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 Company structure for implementation of policy is shared with the auditor.</p> <p>Most of the existing departments are engaged in the implementation of the policy: Import & Export Division in charge of supplier management and policy enforcement, Environment Protection Department in charge of pollution prevention, Technique Research Division in charge of new technology development. Corporate management dept, Human Resource, Property Management Department, Labour Union, etc are all involved.</p> <p>Interviews found all relevant staff 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</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>

The company notified all suppliers the commitments requirements via emails. Email records in March 2021 were provided.

Example: email to AustroCell Hallein:



All suppliers have signed commitment letters with the company in regard of dissolving pulp procurement, ILO's requirements on workers full capacity and workplace. The supply agreements of dissolving pulp from all suppliers are also provided to the auditor.

Example on sourcing policy communication with the supplier:

to those that use effective strategies to actively reduce their greenhouse gas footprint.

防治污染

Pollution Prevention

溶解浆和人造丝制造是资源密集型产业,可能导致空气和水污染并影响整体环境质量。该政策不能解决这些重要的环境问题,然而,我们会在溶解浆和人造丝生产中投资使用先进的洁净生产技术。

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

企业传播

Communication

我们深知在客户、员工和同行业企业传播环保意识的重要性。因此,我们将会在网站和公共媒体中传播环保理念。

We recognize the importance of spreading environmental protection awareness among our customers, employees and peers. As such, we will highlight our environmental protection concept on our website and in public communications.

新乡化纤股份有限公司
XINXIANG CHEMICAL FIBRE CO.,LTD
2015年12月8日
08-Dec-2015

AustroCell Hallein GmbH
Salzachstraße 88
5400 Hallein
Austria

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

Conformance with Indicator:

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

Description of the finding:

The supply agreements of dissolving pulp from all suppliers are provided to the auditor. All agreements contained the required

information, however not all suppliers signed the commitment letter and supply agreement.

AutroCell Hallein, Domsjo and Sodra signed both the commitment letter and the supply agreement with the company. In the case of Domsj and Sodra, both documents carry stamps from Ekman and Domsojo/Sodra.

Suppliers Stora Enso and Cosmo didn't provide direct evidence, but via the broker, Fun Collection, signed the commitment letter and the supply agreement. The company later reached both Stora Enso (with additional requirements on not sourcing from IFLs) and Cosmo with the intention to sign the commitment letters and the supply agreements, however, both pulp mills replied that they have provided information to Canopy and therefore do not need to sign the commitment letter.

See below for examples of the Commitment letter and the supply agreement:

commitment letter

to those that use effective strategies to actively reduce their greenhouse gas footprint.

防治污染

Pollution Prevention

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新乡化纤股份有限公司

XINXIANG CHEMICAL FIBRE CO.,LTD

2015年12月8日

08-Dec-2015

AustroCell Hallein GmbH
Salzachalstraße 88

5400 Hallein



	<p style="text-align: center;">关于溶解浆供应的协商方案 supply agreement</p> <p style="text-align: center;">The supply agreement of dissolving pulp</p> <p>甲方：新乡化纤股份有限公司 PARTY A: XINXIANG CHEMICAL FIBRE CO., LTD</p> <p>乙方：艾克曼公司 PARTY B: Ekman & CO AB</p> <p>生产厂商 Manufacturer : Sodra Skogsagarna ekonomisk forening</p> <p>甲乙双方本着公平、公正的原则，以保护原始濒危森林为宗旨，双方共同努力推动森林可持续性管理，现甲乙双方针对溶解浆的供应事宜，进行协商，达成以下协议：</p> <p>In line with the principle of fairness and impartiality, the two sides work together to promote sustainable forest management in order to protect ancient and endangered forests. Now the two sides negotiate on the supply of dissolved pulp and reach the following agreements:</p> <p>乙方为甲方供应溶解浆的整个行为过程应遵循甲方的“采购政策”，符合甲方的采购要求。所供的溶解浆除了各项指标满足甲方生产要求外，制造溶解浆的木材不能来源于原始濒危森林、泥炭地以及濒危物种的栖息地，如果发现所用木材来源地为不符合要求的地区，乙方应尽快给出合理的整改方案，并对其采购、生产行为进行整改，比如采取做 FSC® 认证、提供原始森林保护方案、与当地居民之间签署谅解备忘录等措施，如果自甲方提出整改要求 6 个月内，乙方还未能达到甲方采购要求，甲方将停止相应的溶解浆采购！</p> <p>Party B shall follow Party A's "purchasing policy" and comply with Party A's purchasing requirements in the whole</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</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: The company developed SOP which includes the supplier control procedure. Based on the procedure, the supplier must comply with Canopy requirement and with the low risk. Also, the performance of active suppliers will be monitored annually as in: appropriate methods (such as sample trials, product testing or measurement, factory visits, supplier quality performance evaluation, consultation with suppliers' other customers, understanding of their social reputation, etc) should be adopted to continue to monitor the performance of external suppliers. However, during the time of this audit, no solid evidence is provided in regard of well implementing the monitoring on the performance of the suppliers, apart from ceasing procurements from potential risky suppliers as well as purchasing certified pulp.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</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>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The grievance procedure has been compiled into the SOP, which is provided to the auditor.
<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: No complaints have been received. In regard of non-conformances, the company conducted internal risk assessment via Forest Mapper to all suppliers since May 2019. For suppliers with high risk or lack of sufficient information, an action plan has been developed in addressing the problems: For high-risk suppliers, the company has suspended the procurements. Formal notifications were sent out to the suppliers to rectify its purchasing and production behaviour. For suppliers with lack of sufficient information on timber sources, the company had required for the detailed forest sources information. If the suppliers couldn't follow up and meet the company's requirements within 6 months, then the company will suspend or reduce the procurements.
<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: The Company organized several trainings on the policy and Canopy requirements before the audit. Training records were provided for auditor review: 14:00-17:00 on 17-Feb-2021, Import & Export Division 14:00-17:00 on 18-Feb-2021, Import & Export Division 08:30-09:30 and 14:00-17:00 from 18-Jan to 05-Feb, 2021, No.1 filament production workshop.

	<p>The interview with the representative from the production department confirms that they are aware of the policy and are implementing it.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant. **</p>	<p>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: Yes, the SOP developed by the group headquarters was shared with two mills.</p>
<p>Summary: The Company has developed a sustainable fibre sourcing policy with supporting Procedures as well as personnel capacity for implementation. The company developed SOP which includes the supplier control procedure. Based on the procedure, the supplier must comply with Canopy requirement and with the low risk. Also, the performance of active suppliers will be monitored annually. However, in regard of monitoring the supplier's conformance with the policy, during the time of this audit, no solid evidence is provided in regard of well implementing the monitoring on the performance of the suppliers, apart from ceasing procurements from potential risky suppliers as well as purchasing certified pulp.</p>	

<p>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy</p>	
<p>Indicators</p>	<p>Findings</p>
<p>2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p>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 provided its own dissolving pulp Due Diligence SOP which aims at avoiding purchase raw materials from HCV, HCS forest, ancient and endangered forest or endangered species habitat forest, any controversial sources. In the meantime, ensure that all suppliers respect the indigenous people and FPIC as well as the worker's rights. The company also required suppliers to attend the trainings for the compliance of the company's Code of Conduct. The company conducted the assessment by using the Forest Mapper as well as the Dissolving Pulp Classification Tool for 2019 and 2020. In the 2020 assessment process, the company added the CPI (corruption perception index) as an additional criterion. For countries that the CPI is below 55 will be graded as high-risk country.</p>

	<p>The company provided the risk assessment conclusion for both 2019 and 2020 to the auditor. However, the risk assessment does not always match the risk assessment in the Dissolving Pulp Classification Tool. For example, the Company determined that supplier Cosmo is low risk, however the Dissolving Pulp Classification Tool graded Cosmo as potentially risky. The organization has agreed to publish a verification audit for Cosmo, which is planned for Q4 2021, in order to confirm risk levels.</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>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 provided their suppliers list. The dissolving pulp mills on the supply chain are identified. However, all 5 suppliers didn't provide the full and exact forest or plantation of origin, but only up to sub-regional, regional or country level.</p>
<p>2.3 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: The assessment is updated every year. During the audit this time, both assessment in 2019 and 2020 were provided and already shared with Canopy during the audit. The company is also willing to share with the Leaders Group.</p>
<p>2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</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: In the Due Diligence SOP developed for evaluating the dissolving pulp supply, additional criteria are added to complete the risk assessment, excluding purchase from controversial sources: - Illegal activities</p>

- Violating the rights of local communities, workers and indigenous people
- Lead to the destruction and disappearance of original intact endangered forests or high conservation value forests and regions
- Lead to the destruction and disappearance of high-carbon sink forests
- Lead to the destruction and disappearance of tropical peat forests
- Lead to the conversion/degradation of natural forests or peat forests into plantations
- Plantations developed after 1994 through the transformation/conversion use of Genetically Modified Organism.

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

Conformance with Indicator:

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

Description of the finding:

The Company has published its updated suppliers on its website on Sept 24, 2020: <http://www.bailu.cn/newsinfo/151607.html>

新乡白鹭投资集团有限公司
Xinxiang Bailu Investment Group Co., Ltd.

新乡化纤股份有限公司溶解浆供应商名单

2020年9月24日 14:47

多年来，在激烈的市场竞争中，我公司的主要原材料溶解浆供应商们与我公司同舟共济，携手共进。正是有了你们这种不懈的支持，我们公司才取得了匪夷所思的好成绩，尤其是再生纤维浆产品，不仅在国内，而且还出口到意大利、土耳其、德国、日本、韩国、印度、巴基斯坦等二十多个国家和地区。在此对你们表示最诚挚的感谢！新乡化纤股份有限公司作为生产化纤纤维原料的大型企业，始终关注本行业的可持续发展，我们将在溶解浆和纤维生产发挥领导作用，与我们的溶解浆供应商共同努力推动森林可持续性管理，保护原始森林。在与供应商今后合作中，我们将会激励、监督供应商在溶解浆生产行为过程中采取可持续发展措施，实现透明化，具有可追溯性。现将2020年溶解浆供应商名单公布如下：

序号	溶解浆名称	供应商名称	供应商地址	生产商名称	生产商地址
1	典型C浆纸	PUR COLLECTION INTERNATIONAL LTD	Dist. B. 2/7, Ovesar trading complex,Blackburne road port Purrell, Dead row, Toronto, Ont. M2L1G	COMO SPECIALTY PAPER	1701 1st street, Coonopola, VA, 99037, USA
2	典型S浆纸	BEKAF & CO AB	Pöhlensplatanen 8 P. O. Box 230 85-401 23 Gettenburg, Sweden	DOMO PAPER AB	991 06 Örnsköldsvik, Sweden
3	典型H浆纸	AUSTROCEL HALLTIP GMBH	Altebachstrasse 88, Postfach 62 A-7400 Aalen, Austria	AUSTROCEL HALLTIP GMBH	88, Postfach 62 A-7400 Aalen, Austria
4	典型S浆纸	BEKAF & CO AB	Pöhlensplatanen 8 P. O. Box 230 85-401 23 Gettenburg, Sweden	SÖDA EKOGRAFI PÅRÖRINGS	85-478 86 Mirvan sweden
5	典型B浆纸	PUR COLLECTION INTERNATIONAL LTD	Dist. B. 2/7, Ovesar trading complex,Blackburne road port Purrell, Dead row, Toronto, Ont. M2L1G	PTIKO INTERNATIONAL OY	Kanavansentie 1, 00160, Helsinki, Finland

溶解浆非合规采购及投诉渠道：
联系人：岳学昌 电话：0373-2877322 邮箱：yuesxch_mj@bailu.cn
新乡化纤股份有限公司
2020-9-24

Summary:

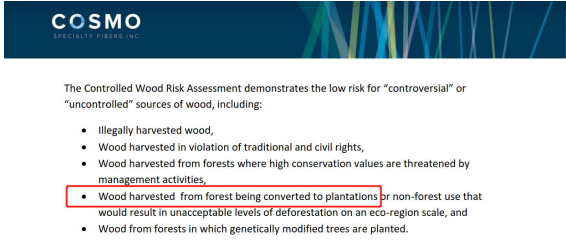
The company provided its own dissolving pulp Due Diligence SOP which aims at avoiding purchase raw materials from HCV, HCS forest, ancient and endangered forest or endangered species habitat forest, any controversial sources. In the meantime, ensure that all suppliers respect the indigenous people and FPIC as well as the worker's rights. The company also required suppliers to attend the trainings for the compliance of the company's Code of Conduct.

The company conducted the assessment by using the Forest Mapper as well as the Dissolving Pulp Classification Tool for 2019 and 2020. The company provided the risk assessment conclusion for both 2019 and 2020 to the auditor. However, some of the risk designations determined by the Company do not match the risk conclusion presented in the Dissolving Pulp Classification Tool. Additional verification is being pursued to address this.

The company provided suppliers list. The dissolving pulp mills on the supply chain are identified. However all 5 suppliers didn't provide the full and exact forest or plantation of origin, but only up to sub-regional, regional or country level.

The company updated and published its supplier for 2020 in the official website.

3. No conversion of natural forest to plantations

Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate. **</p>	<p>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>Cosmo provided its fibre policy, in which Cosmo introduced a tool that they developed to ensure avoidance of unacceptable wood fibre sources_ Controlled Wood Risk Assessment, which, according to Cosmo, can demonstrates the low risk for controversial or uncontrolled sources of wood that includes wood harvested from forest being converted to plantations</p>  <p>The Controlled Wood Risk Assessment demonstrates the low risk for "controversial" or "uncontrolled" sources of wood, including:</p> <ul style="list-style-type: none"> • Illegally harvested wood, • Wood harvested in violation of traditional and civil rights, • Wood harvested from forests where high conservation values are threatened by management activities, • Wood harvested from forest being converted to plantations or non-forest use that would result in unacceptable levels of deforestation on an eco-region scale, and • Wood from forests in which genetically modified trees are planted. <p>In addition, according to the company's assessment result, for Cosmo, there are wood sources that are coming from plantations which were established between 1960 – 1985.</p> <p>Domsjo and Sodra provided their fibre sourcing policies confirming that they don't purchase raw materials that are from controversial sources including natural forests that were converted to plantations:</p>

Fibre sourcing policy Domsjö Fiber

Domsjö Fiber AB imposes stringent requirements on the bio raw material purchasing process.

Basic requirements

The current laws and regulations applied by respective countries of origin determine the basic level of environmental requirements. Domsjö Fiber AB does not purchase bio raw material that:

- has been harvested illegally
- derives from genetically modified trees or crops
- comes from areas where common law and civil rights are actively impeded
- comes from **uncertified High Conservation Value Forests**
- wood harvested from plantations established after 1994 through conversion of natural forests or converted to non-forest use
- comes from protected areas, in Sweden known as "key biotopes"
- has been harvested in ancient and/or endangered forests, or endangered species habitat.

Controversial sources

The members who supply our wood are contract-bound to deliver the wood in accordance with our environmental guidelines, which excludes wood from protected areas or woodland keyhabitats unless the felling is carried out in accordance with management regulations. All external suppliers agree with the Södra supplier code of conduct. Imported deliveries are purchased under the supplier code of conduct and on request we can get a specification of district of origin for each delivery.

Södra controls that wood not originate from the following sources:

- Illegal harvesting.
- Forests where traditional and civil rights are violated.
- Forests that have been identified to be of particular biological and/or cultural value.
- Genetically modified trees.
- **Natural forests that have been harvested to establish plantations or non-forest use.**

In addition, according to the company's assessment results, for Domsjö and Södra, no materials are from plantations.

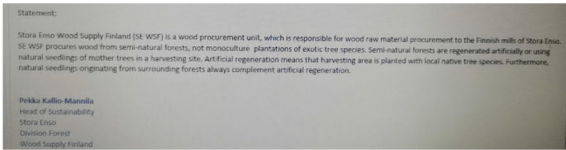
Updated on June 24 with further evidence from the company:

AustroCel Hallein didn't provide information/documents in regard of this indicator. The company later approached AustroCel Hallein requested solid evidence in regard of plantation

Dear Wicky,
Regarding the request of Xinxiang Canopy, we are sorry that AustroCel could not provide such statement. AustroCel has PEFC certificate, which means pulp mills do not use any wood chips from any primitive forest, and all chips from man-made forests. Thanks for your understanding.
Regards,
Henry
From: wicky@newstartex.com <wicky@newstartex.com>
Sent: 2017年6月11日 17:55
To: Susan Wang <Susan.Wang@eurposell.eu>
Cc: Catherine Chang <C.Chang@eurposell.eu>; Henry Zhu <H.Zhu@eurposell.eu>; Leo Wang <L.Wang@eurposell.eu>; 陳力明 <chen_lm@newstartex.com>; hou.jingnan@newstartex.com
Subject: Re: 漢信紙業林業採伐方案、提供相關資料
Dear Susan,
The canopy of Xinxiang need your statement that state Hallein does not used the planted forest. If Hallein had made this claim in some other published reporting:
Best regards,
Wicky /un

The purchasing documents received from AustroCel shows that the pulp is 100% PEFC certified. However this does not guarantee that it is not sourcing from plantations established after 1994.

Stora Enso provided FSC certified pulp to the Company. The company's assessment result shows that for Stora Enso, no materials originates from plantations. Stora Enso later provided a statement on plantations. According to the statement, Stora Enso procures wood from semi-natural forests, not monoculture plantations of exotic tree species. Semi-natural forests are regenerated artificially or using natural seedlings of mother trees in a harvesting site. Artificial regeneration means that harvesting area is planted with local native tree species. Furthermore, natural seedlings

	<p>originating from surrounding forests always complement artificial regeneration.</p> 
<p>Summary:</p> <p>The company required all suppliers to disclose the plantation establishment information. Cosmo provided relevant plantation dates information. Domsjo and Sodra provided their sourcing policies confirming they don't purchase raw materials that are from controversial sources including natural forests converted to plantations. The company's assessment results also showed that both Domsjo and Sodra don't have materials coming from plantations. AustroCel's email stated that they are PEFC certified, and that all chips originate from man-made forests, but did not confirm plantation dates.</p> <p>Stora Enso provided FSC certified pulp to the Company. Stora Enso later provided a statement on plantation. According to the statement, Stora Enso procures wood from semi-natural forests, not monoculture plantations of exotic tree species.</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.</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>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>Cosmo didn't provide solid evidence in this regard. They use Controlled Wood Risk Assessment to ensure avoidance of unacceptable wood fibre sources. However, this does not preclude fibre use from Ancient and Endangered Forests.</p>

COSMO
SPECIALTY FIBERS, INC.

The Controlled Wood Risk Assessment demonstrates the low risk for “controversial” or “uncontrolled” sources of wood, including:

- Illegally harvested wood,
- Wood harvested in violation of traditional and civil rights,
- Wood harvested from forests where high conservation values are threatened by management activities,
- Wood harvested from forest being converted to plantations or non-forest use that would result in unacceptable levels of deforestation on an eco-region scale, and
- Wood from forests in which genetically modified trees are planted.

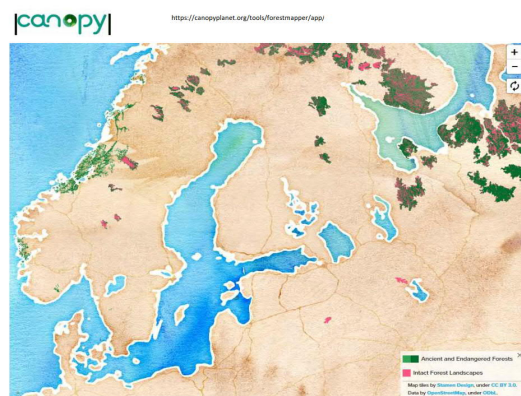
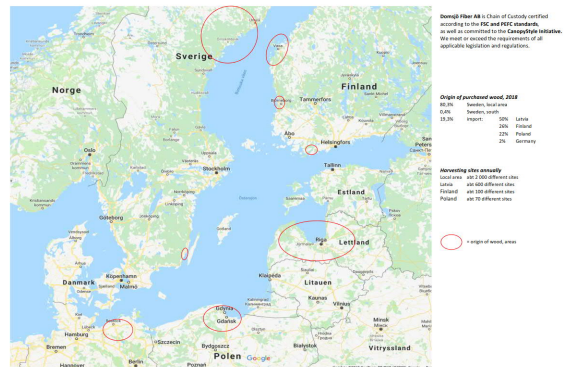
Promoting Responsible Forestry

One unique aspect of Cosmo’s approach to environmental stewardship is our expanded partnership with our largest wood fiber supplier, Willis Enterprises. Unlike other whole log chip producers in the Pacific Northwest, every load of logs purchased by Willis Enterprises, to be chipped for Cosmo, is painstakingly researched and documented as to whether it originated from a certified forest.

Over 70% of the forests producing wood fiber for Cosmo are certified to either the Sustainable Forestry Initiative®, American Tree Farm System®, PEFC, or FSC. The extraordinary research and documentation performed by Willis Enterprises positions them to share Cosmo’s wood fiber certification. Regular communications and feedback between Willis Enterprises, forest landowners, and loggers promotes awareness across our communities of Cosmo’s commitment to healthy forests.

In addition, according to the Canopy Dissolving Pulp Classification Tool, Cosmo is graded as further sourcing information and/or auditing required. Cosmo has agreed to a verification audit, which will be conducted in Q4 2021.

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



In addition, according to the Canopy dissolving pulp classification tool, Domsjo is graded as no sourcing issues identified based on current information and/or CanopyStyle audit.

AustroCel Hallein and Sodra didn’t provide solid evidence, but according to the Canopy dissolving pulp classification tool, it is graded

	<p>as no sourcing issues identified based on current information and/or CanopyStyle audit.</p> <p>Stora Enso didn't provide evidence, and according to the Canopy dissolving pulp classification tool, it is graded as Further sourcing information and/or auditing required.</p> <p>Further, no evidence of identification on sourcing from controversial sources is provided, in addition to ancient and endangered forests.</p> <p>All this info has been shared with Canopy via email. The company is also willing to share with the Leaders Group.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p>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>No such materials have been identified as of this audit. 2 suppliers have potential risk noted, but this has not been confirmed.</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</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 interviews to the management confirmed they were aware all relevant laws and regulations.</p> <p>Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws. The Company obtained FSC COC certificate (SCS-COC-005849), granted by Step by Oeko-Tex to use the OEKO-TEX mark for its facility. Passed the Occupational Health and Safety Management System Certificate (ISO45001:2018); Environmental Management System Certificate (ISO</p>

	14001:2015); Quality Management System Certificate (ISO 9001:2015).
4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<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 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. Note findings in 4.1-4.4 above.</p>
<p>Summary: The MMCF producer has adopted clear definitions for the terms included in their Policy. Some suppliers provided forest map, some provided self-explanatory statements in terms of mapping and identifying ancient and endangered forests. o evidence of identification on sourcing from controversial sources is provided in addition to ancient and endangered forests. 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.</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>Indicators</p>	<p>Findings</p>
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **</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's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known. The exact information in terms of forest of origins for each pulp supplier are not known. Detailed assessment please refer to findings on indicator 4.2</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. **</p>	<p>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>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p>Description of the finding:</p> <p>The Company included the policy and CanopyStyle requirement in supplier control procedure.</p> <p>The supply agreement defined the situation where the purchase will be stopped. If the non-conformance is found, the company will suspend or decrease the purchase and the supplier must take actions within 6 months. If the issue cannot be addressed within 6 months, the purchase from the supplier will be terminated.</p> <p>Upon determination of high risk for two suppliers, the company terminated sourcing according to this procedure in 2019.</p> <p>See finding 5.3 below.</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>Based on the risk assessment conducted by the company in 2019, two suppliers (JARI CELULOSE PAPEL E EMBALAGENS S/A and Pt.toba pulp lestari tbk) are graded as high risk and the company terminated procurement from these two suppliers (last purchase from JARI CELULOSE PAPEL E EMBALAGENS S/A is March 2019; the last purchase from Pt.toba pulp lestari tbk is February 2018).</p>
<p>Summary:</p> <p>The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known.</p> <p>The exact information in terms of forest of origins for each pulp supplier are not known. Detailed assessment please refer to findings on indicator 4.2.</p> <p>The Company included the policy and CanopyStyle requirement in supplier control procedure. Based on the risk assessment conducted by the company in 2019, two suppliers (JARI CELULOSE PAPEL E EMBALAGENS S/A and Pt.toba pulp lestari tbk) are graded as high risk and the company terminated procurement from these two suppliers (last purchase from JARI CELULOSE PAPEL E EMBALAGENS S/A is March 2019; the last purchase from Pt.toba pulp lestari tbk is February 2018).</p> <p>The company also conducted the risk assessment for their suppliers for 2020, and based on the result, most of them are low risk and only one with potential risk (Cosmo).</p> <p>The supply agreement defined the situation where the purchase will be stopped. If the non-conformance is found, the company will suspend or decrease the purchase and the supplier must take actions within 6 months. If the issue cannot be addressed within 6 months, the purchase from the supplier will be terminated.</p>	

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

Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</p>	<p>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 management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.</p> <p>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 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:</p> <p>This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Additional information will be acquired when the Cosmo verification audit is conducted.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p>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 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 and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available

	<p>Description of the finding: This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Additional information will be acquired when the Cosmo verification audit is conducted.</p>
<p>6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent. **</p>	<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. Additional information will be acquired when the Cosmo verification audit is conducted.</p>
<p>Summary: The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. Indicator 6.2-6.5 are only required when company's sourcing has been verified as key priority areas of ancient and endangered forests. This verification has not yet been completed. Additional information will be acquired when the Cosmo verification audit is conducted.</p>	

<p>7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.</p>	
<p>Indicators</p>	<p>Findings</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. **</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 requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. All suppliers have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>


	<p> <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: At the time of the audit, the Company lacked evidence from the suppliers on how they confirm with the commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers, at the time of this audit. AustroCel Hallein, Domsjo, Sodra as well as Cosmo have signed a commitment letter that include a commitment to be in compliance with the requirements set from the ILO on worker's rights and basic principles in the workplace and to make the same demands on their suppliers. Stora Enso provided its human rights policy. As all suppliers hold certification (either FSC or PEFC) and have provided sourcing policies, this indicator is being graded as in process.</p>
<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p> 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 </p> <p>Description of the finding: The company is FSC certified and also has a public grievance operation procedure featured for Canopy to accept and handle complaints. The suppliers (brokers) as well as 3 out of 5 dissolving pulp mills are FSC COC certified companies which provides some evidence of conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope. Other dissolving pulp mills like Cosmo and AustroCel Hallein have PEFC certificate which also requires a complaints mechanism and resolution. (however, the procurement records checked during this audit from Cosmo doesn't have relevant claim, which lower the confidence in this regard). Last but not least, Stora Enso have both FSC and PEFC certificate which further contribute to evidence of conformance to this indicator. Because not all materials sourced are received with certification claims, this indicator is being graded as in progress.</p>

<p>7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>	<p>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: This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union. Relevant documentations are provided to the auditor such as Labor Union Management Manual, Collective Contract, Staff Handbook, Anti-discrimination, Anti-harassment, and Anti-abuse management procedures, Report on the investigation of equal and fair treatment of employees, etc.</p> <p>The company is FSC COC certified.</p> <p>It holds a valid Occupational Health and Safety Management System Certificate (ISO45001:2018); all workers have signed labour contracts and the company pays for their social insurance. Labor contract sample and salary records are checked by the auditor.</p> <p>The suppliers are either PEFC or FSC COC certified companies which could contribute to the conformance to this indicator, as i) for FSC COC certified Companies are required to sign the policy for association is a declaration by the company that they are not involved in directly or indirectly with the activities that can violate workers' rights; ii) for PEFC certificate, it also requires recognize and respect the rights of its workers.</p> <p>AustroCel Hallein, Domsjo, Sodra as well as Cosmo have signed a commitment letter that include a commitment to be in compliance with the requirements set from the ILO on worker's rights and basic principles in the workplace and to make the same demands on their suppliers. In addition, Stora Enso provided its human rights policy.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and</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>

<p>Rights at Work and will require the equivalent of their own suppliers.</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts with the suppliers. AustroCel Hallein, Domsjo, Sodra as well as Cosmo have signed a commitment letter that include a commitment to be in compliance with the requirements set from the ILO on worker's rights and basic principles in the workplace and to make the same demands on their suppliers.</p> <p>All suppliers are FSC or PEFC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements. However, the procurement records checked during this audit from Cosmo does not have relevant claim, which lower the confidence in this regard.</p> <p>Updated on June 24 with further evidence provided from the company: A procedure has been developed to verify on the suppliers and sub suppliers' performance in regard of corporate social responsibility, where the verifications of the ILO's requirements have been included. The main contents contain verification cycle, method, files checklists (e.g. child labor, recruitment procedure, forced labor, H&S, freedom of association, non-discrimination, working hours, compensation, the rights of indigenous peoples and local communities.)</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **</p>	<p>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</p> <p>Description of the finding: Recognition and respect for human right is included in the Company's policy.</p> <p>Also, the company is FSC certified, which means that they have signed the Policy for Association, which declared that they are not involved in activities that violate human rights. Within the Company, there is a labour union which actively engages in the management of the Company.</p>

	<p>The Company and all suppliers are FSC or PEFC certified companies. However, the procurement records checked during this audit from Cosmo does not have relevant claim, which lower the confidence in this regard.</p> <p>This indicator is a summary requirement of 7.1-7.5 and thus is being graded as in progress.</p>
<p>Summary:</p> <p>Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. All suppliers have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>AustroCel Hallein, Domsjo, Sodra as well as Cosmo have signed a commitment letter that include a commitment to be in compliance with the requirements set from the ILO on worker's rights and basic principles in the workplace and to make the same demands on their suppliers. Stora Enso provided its human rights policy.</p> <p>All suppliers are FSC or PEFC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. However, the procurement records checked during this audit from Cosmo does not have relevant claim, which lower the confidence in this regard.</p> <p>The Company holds FSC certification.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p>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>Fiber Recycling Technology for Recycling Waste Textiles</p> <p>In January 2021, the company founded "Bailu New Material Research Academy", where a R&D team is established to work on the " Fiber Recycling Technology for Recycling Waste Textiles" focusing on producing the fiber by using recycled cotton fabrics and set up the "Xinxiang Chemical Fibre Co., Ltd. R&D Project Plan", which clarified the person in charge and the R&D time.</p> <p>In 2020, the company launched BaiLu-ECOTM sustainable viscose filament products. The raw materials come from Swedish Sodra recycled pulp (recycled cotton fibre accounts for 5%); The production process meets the STeP by OEKO-TEX (level 3) requirements, and the fibre production line has completed the EUBAT audit.</p>

	 <p>Updated on June 11: Bailu has been working with Innovation Academy for Green Manufacturing, Chinese Academy of Sciences on the Pilot research and development of ionic liquid regenerated cellulose, animal keratin and its composite fiber starting from February 2018. The small-scale experiment is now completed. Bailu is planning to start the pilot production with a 100-ton production capacity in 2021.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>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 project for Fiber Recycling Technology for Recycling Waste Textiles currently is still under the R&D phase.</p> <p>Bailu-ECOTM sustainable viscose filament products have been put into production. by the time of the audit, 22 tons of BaiLu-ECOTM sustainable viscose filament products have been produced but have not been delivered. It is expected to have another batch of recycled pulp to be arrived in May 2021.</p> <p>Updated on Oct 21, the 22 tons of BaiLu-ECOTM sustainable viscose filament products have been sold out.</p>
<p>Summary: In January 2021, the company established a R&D team for " Fiber Recycling Technology for Recycling Waste Textiles", and set up the "Xinxiang Chemical Fibre Co., Ltd. R&D Project Plan. In the year of 2020, the company launched BaiLu-ECOTM sustainable viscose filament products. The raw materials come from Swedish Sodra recycled pulp (recycled cotton fibre accounts for 5%); The production process meets the STeP by OEKO-TEX (level 3) requirements, and the fibre production line has completed the EUBAT audit.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **	<p>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: On February 25, 2021, the company participated in the Collaboration for Sustainable Viscose webinar on the 2025 roadmap as a member of CV Alliance. At that time they did a presentation which highlighted the importance of forest conservation. Canopy also participated and submitted comments.</p>
9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities.**	<p>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 organization requested all suppliers make commitments on FPIC of indigenous people and local communities, but since the company hasn't been prompted, this indicator is graded as Not Applicable.</p>
9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.	<p>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: From 2010 to 2012, the company invested CNY 800,000 in afforestation in Taihang Mountain. It has also supported conservation of ancient and endangered forests publicly.</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>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input 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:
Summary: The Company has positively engaged in meeting and events. The organization requested all suppliers make commitments on FPIC of indigenous people and local communities, but the company hasn't been prompted for specific actions yet.	

10. Responsible forest management	
Indicators	Findings
10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<p>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:</p> <p>In the FSC certified pulp purchase plan provided during this audit. it is stated the Company source fibre with the preference for FSC certification. In 2019, the volume in the signed purchase contracts was around 7,000 tons, and the actual materials received in 2019 were around 5,500 tons (approx. 1487 tons were received within the 2018 purchase contract and around 3,000 tons received in 2020).</p> <p>In 2020, the volume in the signed purchase contracts was around 9100 tons, and the actual materials received in 2020 were around 9,200 tons (another 2925 tons within the contract has arrived in 2021).</p> <p>For the next 3 years, the FSC dissolving pulp intake plan is:</p> <p>2021- 9,200 tons 2022 – 9,200 tons 2023- 9,200 tons</p>

	<p>FSC 溶解浆采购计划</p> <p>目前我有三家 FSC 溶解浆供应商——瑞典 SODRA、瑞典 Domsjo 和芬兰 ENSO，为进一步发挥我在溶解浆和纤维产业针对保护原始濒危森林的领导作用，我现做出以下计划：</p> <ol style="list-style-type: none"> 1、尽最大努力督促非 FSC 溶解浆供应商进行 FSC®认证。 2、2019 年 FSC 溶解浆实际到货数量为 5500 吨。 2020 年 FSC 溶解浆实际到货数量为 9200 吨。 3、在未来 3 年内， FSC 溶解浆采购计划为： <ul style="list-style-type: none"> 2021 年计划采购 FSC 溶解浆 9200 吨。 2022 年计划采购 FSC 溶解浆 9200 吨。 2023 年计划采购 FSC 溶解浆 9200 吨。 <p>新乡化纤股份有限公司 2021 年 1 月 10 日</p>
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The FSC intake for the next 3 years will be checked in the next audit.

Summary:

In the FSC certified pulp purchase plan provided during this audit. it is stated the Company source fibre with the preference for FSC certification. In 2019, the volume in the signed purchase contracts was around 7,000 tons, and the actual materials received in 2019 were around 5,500 tons (approx. 1487 tons were received within the 2018 purchase contract and around 3,000 tons received in 2020).

In 2020, the volume in the signed purchase contracts was around 9100 tons, and the actual materials received in 2020 were around 9,200 tons (another 2925 tons within the contract has arrived in 2021).

For the next 3 years, the FSC dissolving pulp intake plan is:

2021- 9,200 tons; 2022 – 9,200 tons; 2023- 9,200 tons

The FSC intake for the next 3 years will be checked in the next audit.

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

Indicators	Findings
11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<p>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 company standard SOP, when adding up new suppliers, the company requires the candidates to provide a series of qualification documentations, including the requirement on reducing GHG (e.g. sustainable development report, certificates such as related to STEP by OEKO-TEX, carbon footprint, ZDHC, BSCI, Higg Index).</p> <p>Updated on June 24 with further evidence from the company:</p>

	<p>The company has developed a procedure to evaluate suppliers' performance in reducing the GHG. Main content covers: evaluation cycle and evaluation method. The evaluation is planned to be conducted via a questionnaire with questions examples:</p> <ol style="list-style-type: none"> 1. provide the goal on reducing the GHG 2. do you have an action plan in GHG reduction/Energy Use Improvement? 3. do you have any action plan in using the renewable energy? 4. comparing with last year, have you succeeded in reducing GHG? If yes, please provide detailed information. <p>In addition, Stora Enso provided its policy for energy and carbon.</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 <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 developed the procedure requiring suppliers to provide their sourcing information and documents up to the forest level. According to the company's internal assessment for its suppliers, all supply chain maps are either mapped up to country level or sub-national/regional level. No detailed forest level evidence is provided except that Domsjo provided its forest map and also provided the results by using the Forest Mapper, which confirm no sourcing from ancient and endangered forests and IFLs. Details kindly refer to section 4.2.</p> <p>There is currently no evidence of sourcing from tropical peatlands.</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 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>Due Diligence procedures are developed to eliminate any ancient & endangered forest source, any controversial source including tropical peatlands. The suppliers are graded as 3 levels: high risk, low risk and unknown source. Preferences are given to the low risk suppliers.</p>
<p>Summary:</p>	

According to the company standard SOP, when adding up new suppliers, the company requires the candidates to provide a series of qualification documentations, including the requirement on reducing GHG (e.g. sustainable development report, certificates such as related to STEP by OEKO-TEX, carbon footprint, ZDHC, BSCI, Higg Index). However, the company didn't establish procedures to evaluate suppliers' performance in reducing GHG.

The company developed the procedure requiring suppliers to provide their sourcing information and documents up to the forest level. According to the company's internal assessment for its suppliers, all supply chain maps are either mapped up to country level or sub-national/regional level. No detailed forest level evidence is provided except that Domsjo provided its forest map and also provided the results by using the Forest Mapper, which confirm no sourcing from ancient and endangered forests and IFLs. Details kindly refer to section 4.2. There is currently no evidence of sourcing from tropical peatlands.

Due Diligence procedures are developed to eliminate any ancient & endangered forest source, any controversial source including tropical peatlands. The suppliers are graded as 3 levels: high risk, low risk and unknown source. Preferences are given to the low-risk suppliers.

12. Pollution Prevention

Indicators	Findings
<p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</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> <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 CanopyStyle audit will not report on this indicator. Other tools such as the Hot Button report will address chemical management starting in 2020.</p> <p>Of note however, that the company has obtained the EUBAT certification. The company also is a proactive participant in terms of ZDHC. According to the company, SGS has conducted wastewater sampling on February 22-23, 2021.</p> <p>In 2017, the company, together with China Textile Research Institute and other units, declared the national key research and development project. This project focused on the development and demonstration of efficient spinning of differentiated regenerated cellulose fiber and cleaner production technology. The project ended in June 2021 and now this technology has been implemented in the production.</p> <p>In January 2018, the company obtained the acceptance of the clean production audit by the Henan Provincial Environmental Protection Department. In December 2020, the company had the clean production audit conducted</p>

	again, the final report hasn't been completed yet.
<p>Summary: The CanopyStyle audit will not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p>	

** Indicates Critical Indicators

Appendix B: standard checklist (CanopyStyle Verification Framework – Viscose Mill 1 Checklist)

1. Evaluation of Site: New site

Primary Responsible Person: (Responsible for control system at site(s))	Zhu Xuexin, Deputy Production Manager
Auditor(s):	Peiying Zhou
People Interviewed, Titles:	<ul style="list-style-type: none"> - Yanjun Shen, production management - Wang Dehou, warehouse - Xing Tao, warehouse - Xuexin Zhu, deputy production manager - Xinting Li, raw material input control - Jisheng Fan, workshop - Liping Zhang, production - Junjiang Xiao, Technician, Bailu New Materials Research Institute - Yanmei Hao, Labour Union - Chongxiang Zhao, Technician, Production Management Division - Jiagui Geng, Technician, Energy Saving Office - Junjiang Jia, Director of Corporate Management Department - Suling Liu, Assistant to the Director of Corporate Management Department - Jujie Ruan, Certifier, Corporate Management Department Quanfang Li, Certifier, Corporate Management Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 3.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose filament rayon production and material and products storage without involvement in pulp sourcing.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>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 website: http://www.bailu.cn/newsinfo/1294445.html</p> <p>The mill conducted several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of Ancient and Endangered Forests and controversial sources.</p>
<p>1.11 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>The Company shared the standard operational procedure with the mill that ensures the wood sourcing policy is implemented.</p> <p>The material from different suppliers can be clearly identified with identification card.</p>
<p>Summary:</p> <p>Wood pulp procedure has been established and made public on the website of the Company. Trainings on related procedures and Wood Sourcing Policy has been held. The managers are aware of the policy and procedures.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<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 mill is not responsible for sourcing of wood pulp.</p> <p>The material input and sales are documented. The production workshop and warehouse maintain records of the quantity of pulp from different suppliers. The warehouse keeps the records of production delivery.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<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: <p>The mill is not responsible for sourcing of wood pulp.</p> <p>The mill maintains the delivery documents of wood pulp, including commercial invoice, packing list, bill of lading, certificate of origin, etc, according to the sourcing office. However, the forest of origin is not indicated on this documentation.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	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 mill is not responsible for sourcing of wood pulp.</p> <p>The certification code and claim are included on the commercial invoice and packing list from the suppliers, including AustroCel Hallein, Stora Enso, Sodra and Domsjo.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</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>The mill is not responsible for sourcing of wood pulp.</p> <p>The corporate office maintains the records of annual purchase and sales.</p>
<p>2.10 Producer provides <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</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: <p>The mill is not responsible for sourcing of wood pulp.</p>

	<p>The trade and transport documents from the suppliers carry the FSC/PEFC certificate code and claim when relevant.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p>
<p>Summary: The mill is not involved in or responsible for purchasing. The delivery documentation is maintained. Certificate code and claim are included in the invoice and packing list from certified suppliers. However, none of the trade and transport documents include the forest of origin.</p>	

4. Sourcing from Ancient and Endangered Forests and other controversial sources have been eliminated.	
Indicators	Findings
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p>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 interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc. There is no news and information disclosed that the organize is non-compliance with national and/or international laws. In addition, the company holds a number of third-party certificates, including:</p> <ul style="list-style-type: none"> • ISO9001:2015 quality management system • FSC Chain of Custody • ISO14001:2015 Environment Management System • ISO45001: 2018 Occupational Health and Safety Management System
<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p>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 mill is not responsible for sourcing of wood pulp.</p> <p>By interview, the management of the mill demonstrated their understandings on Ancient and Endangered Forests and controversial sources.</p> <p>The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from Ancient and Endangered Forests and other controversial sources. However, not all suppliers can be verified as low risk. Details, please refer to Appendix A indicator 4.1-4.5.</p>
<p>4.6 Production mills have conducted assessment of presence of Ancient and Endangered Forests and other controversial forests in their wood supply areas.</p>	<p>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 assessment was conducted by sourcing department at headquarters.</p> <p>Detailed findings please refer to section 2 and 4 of the checklist for Corporate Sourcing (headquarters).</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p>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>Risk assessment and supplier assessment were conducted by the group headquarters.</p> <p>Detailed findings please refer to section 2 and 4 of the checklist for Corporate Sourcing (headquarters).</p>
<p>Summary:</p> <p>The interview with the management proves they were aware all relevant laws and regulations. There is no news and information disclosed that the company is non-compliant with national and/or international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endangered Forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarters.</p>	

5. Actions if suppliers contravene criteria

Indicators	Findings
<p>5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p>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>Supplier performance monitoring program was conducted by the headquarters.</p>
<p>Summary: Supplier performance monitoring program was conducted by the headquarters.</p>	

<p>7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.</p>
<p>Please refer to assessment for section 7 under Annex A for this indicator.</p>
<p>Summary:</p> <p>Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. All suppliers have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>AustroCel Hallein, Domsjo, Sodra as well as Cosmo have signed a commitment letter that include a commitment to comply with the requirements set from the ILO on worker's rights and basic principles in the workplace and to make the same demands on their suppliers.</p> <p>Stora Enso provided its human rights policy.</p> <p>All suppliers are FSC or PEFC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. However, the procurement records checked during this audit from Cosmo does not have relevant claim, which lowers the confidence in this regard.</p> <p>The Company holds FSC Chain of Custody certification.</p>

Appendix C: standard checklist (CanopyStyle Verification Framework – Viscose Mill 2 Checklist)

1. Evaluation of Site: Old site-Xinxiang City

Primary Responsible Person: (Responsible for control system at site(s))	Yongxin Yao, Deputy Production Manager
Auditor(s):	Peiying Zhou
People Interviewed, Titles:	<ul style="list-style-type: none"> - Yongxin Yao, deputy production manager - Chiqian Liu, Technical department - Lei Shi, Technical department - Yao Li, raw material input control - Jinhai Feng, workshop - Yanfan Guo, workshop - Lutao Zhu, warehouse - Qingjun Zhang, warehouse - Junjiang Xiao, Technician, Bailu New Materials Research Institute - Yanmei Hao, Labour Union - Chongxiang Zhao, Technician, Production Management Division - Jiagui Geng, Technician, Energy Saving Office - Junjiang Jia, Director of Corporate Management Department - Suling Liu, Assistant to the Director of Corporate Management Department - Jujie Ruan, Certifier, Corporate Management Department - Quanfang Li, Certifier, Corporate Management Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 3.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose filament rayon production and material and products storage without involvement in pulp sourcing.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>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>

The policy was public on the website:
<http://www.bailu.cn/newsinfo/1294445.html>

The Company organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review:

- Training for Purchasing department, Feb 17-18 2021;
- Training for filament production workshop, Jan 18-Feb 5, 2020;

Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of Ancient and Endangered Forests and controversial sources.



(Canopy introduction in bulletin board at workshop)

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

Conformance with Indicator:

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

Description of the finding:

The Company shared the standard operational procedure with the mill that ensures the wood sourcing policy is implemented.

The material from different suppliers can be clearly identified with identification card.

Summary:

Wood pulp procedure has been established and made public on the website of the Company. Trainings on related procedures and Wood Sourcing Policy has been held. The managers are aware of the policy and procedures.

2. Sourcing from transparent supply chains that are in conformance with the policy.

Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<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 mill is not responsible for sourcing of wood pulp.</p> <p>The material input and sales are documented. The production workshop and warehouse maintain records of the quantity of pulp from different suppliers. The warehouse keeps the records of production delivery.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<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 mill is not responsible for sourcing of wood pulp.</p> <p>The mill maintains the delivery documents of wood pulp, including commercial invoice, packing list, bill of lading, certificate of origin, etc, according to the sourcing office. However, the forest of origin is not indicated on the documentation.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>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 mill is not responsible for sourcing of wood pulp.</p>

	<p>The certification code and claim are included on the commercial invoice and packing list from the suppliers, including AustroCel Hallein, Stora Enso, Sodra and Domsjo.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</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 mill is not responsible for sourcing of wood pulp.</p> <p>The corporate office maintains the records of annual purchase and sales.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>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 mill is not responsible for sourcing of wood pulp.</p> <p>The trade and transport documents from the suppliers carry FSC/PEFC certificate code and claim when relevant.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p>
<p>Summary:</p> <p>The mill is not responsible for sourcing of wood pulp. The delivery documentation is maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified wood fiber. However, none of the trade and transport documents include the forest of origin.</p>	

4. Sourcing from Ancient and Endangered Forests and other controversial sources have been eliminated.

Indicators	Findings
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p>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.</p> <p>Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>There is no news and information disclosed that the organize is non-compliant with national and/or international laws. In addition, the company holds a number of third-party certificates, including:</p> <ul style="list-style-type: none"> • ISO9001:2015 quality management system • FSC Chain of Custody • ISO14001:2015 Environment Management System • ISO45001: 2018 Occupational Health and Safety Management System
<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p>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 mill is not responsible for sourcing of wood pulp.</p> <p>By interview, the management of the mill demonstrated their understanding of Ancient and Endangered Forests and controversial sources.</p> <p>The company has conducted their annual risk assessment of 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. Details, please refer to Appendix A indicator 4.1-4.5.</p>
<p>4.6 Production mills have conducted assessment of presence of Ancient and Endangered Forests and other controversial forests in their wood supply areas.</p>	<p>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 assessment was conducted by sourcing department at headquarters.</p>

	Detailed findings please refer to section 2 and 4 of the checklist for Corporate Sourcing (headquarters)
4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.	<p>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>Risk assessment and supplier assessment were conducted by the group headquarters.</p> <p>Detailed findings please refer to section 2 and 4 of the checklist for Corporate Sourcing (headquarters)</p>
<p>Summary:</p> <p>The interview with the management proves they were aware all relevant laws and regulations. There is no news or information disclosed that the company is non-compliant with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarters.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p>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>Supplier performance monitoring program was conducted by the headquarters.</p>
<p>Summary: Supplier performance monitoring program was conducted by the headquarters.</p>	

<p>7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.</p>
<p>Please refer to assessment for section 7 under Annex A for this indicator.</p>
<p>Summary:</p> <p>Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. All suppliers have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p>

AustroCel Hallein, Domsjo, Sodra as well as Cosmo have signed a commitment letter that include a commitment to be in compliance with the requirements set from the ILO on worker's rights and basic principles in the workplace and to make the same demands on their suppliers.

Stora Enso provided its human rights policy.

All suppliers are FSC or PEFC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. However, the procurement records verified during this audit from Cosmo did not have relevant claim, which lowers the confidence in this regard.

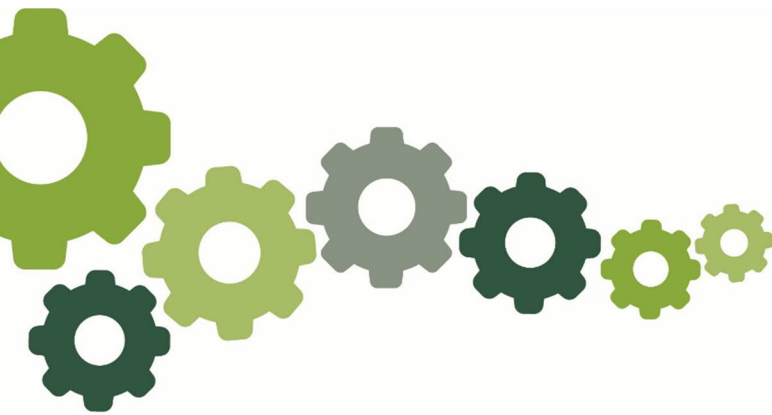
The Company holds FSC certification.

Appendix <Enter appendix code>: RECOMMENDATIONS FOR IMPROVEMENT

The CanopyStyle Initiative has developed these recommendations to provide direction on how companies should address some of the main non-conformities found in this audit report.

These recommendations have been developed by Canopy, presented to the company for feedback, and are provided as an appendix in this audit report for use by the company and auditors, starting immediately after finalization of the audit report.

Appendix



CanopyStyle Audit Report for Cosmo Specialty Fibers

Assessment 2022

Evaluation date: 28 April: 4,5,9, 10 May 2022

Report date: 23 May 2022

Organisation Contact

Larry Davis, Director of Strategic Initiatives
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INTRODUCTION

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

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

The purpose of this report is to document performance of *Cosmo Specialty Fibers* hereafter referred to as "Cosmo", against the requirements of the Verification Framework and Guidelines, (November 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 480 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

Cosmo Specialty Fibers, Inc. (Cosmo) is a dissolving pulp manufacturer located in Cosmopolis, Washington. Cosmo is an affiliate of The Gores Group and was established to restore, restart and operate the former Weyerhaeuser Specialty Cellulose Mill. Cosmo Specialty Fibers produces lyocell, viscose, acetate, ethers, MCC and nitrocellulose dissolving pulp. Products are made from Pacific Northwest U.S.A. softwoods, primarily Douglas Fir (*Pseudotsuga menziesii*) and western hemlock (*Tsuga heterophylla*). Cosmo's raw material supply of wood chips comes from 11 suppliers: 9 lumber and veneer mills and two whole log chip mills. The chip supply comes from within a 100 mile radius of the Cosmo plant. Cosmo's suppliers source logs from forests primarily from southwest Washington.

Central National-Gottesman, Inc., (CNG) based in New York, is the exclusive world-wide sales agent for Cosmo Specialty Fibers. CNG is one of the largest privately held pulp, paper, packaging and tissue companies in the world with offices in New York, Hong Kong, Beijing, Tokyo, Mexico, Buenos Aires and Vienna. Essentially, CNG sells the Cosmo product and Cosmo ships the product directly to the customer. Many customers are Man-Made Cellulosic Fiber Manufacturers who have committed to the CanopyStyle Framework.

In addition to CanopyStyle Framework Cosmo holds Forest Stewardship Council (FSC) Chain of Custody with Controlled Wood (CoC), Program for the Endorsement of Forest Certification (PEFC) CoC and SFI sourcing certificates.

1.2 Company scope (sites, locations, etc)

Cosmo headquarters and mill at 1701 1st. Street, Cosmopolis, WA. 98537

1.3 Company sourcing policy

Cosmo's sourcing policy can be found on their website entitled *Ancient and Endangered Forest Conservation Vision and Forest Fiber Procurement Policy*.

<https://cosmospecialtyfibers.com/about/social-environmental-stewardship> The vision statement reads: "Cosmo is committed to demonstrating environmental and social leadership in the dissolving pulp and man-made cellulosic fiber sector. They have eliminated sourcing of fiber from the world's Ancient and Endangered Forests and other controversial fiber sources. They are working toward partnerships with other companies, suppliers, customers, and Canopy to reduce carbon emissions and advance conservation of the world's critically important high carbon value (HCS) and biodiverse (HCV) forest ecosystems".

2. EVALUATION SCOPE

This is a remote audit. There were no site visits.

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input type="checkbox"/> Listed in supplier CoC form	<input checked="" type="checkbox"/> Other suppliers

Majority Fiber Input:	Wood Chips	
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No Comments:
Mill Capacity:	170, 000 metric ton/year	
Primary Activity:	Manufacturing dissolving pulp	
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: 157	Permanent female: 14
	Contract male: 0	Contract female: 0
	TOTAL: 171	

Sites included in evaluation	Location
Administration and Mill	1701 1st. Street Cosmopolis, Washington USA 98537

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Walter Smith	Walter has 17 years experience in logging, training, forest resource and business management and 25 years experience in social and environmental sustainability auditing through such schemes as Forest Stewardship Council (FSC), CanopyStyle, Rainforest Alliance, and corporate sustainable policy evaluation and assurance services.

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Cosmo headquarters	28 April 2022	Three hours of staff interviews and three hours of document review
Five Cosmo Suppliers: Alta Forest Products Hampton Forest Products Murphy Plywood Weyerhaeuser, Raymond Willis Enterrpises, Moon Island	2,4,5, 9, and 10 May 2022	Seven hours of staff interviews and five hours of document review.

3.3 Description of Overall Audit Process

The audit of Cosmo and suppliers was accomplished remotely via an online meeting program. The audit included interviews of key personnel, review of policies, operations, standard operating procedures documents, Washington Department of Natural Resources (DNR) documents and review of Canopy Forest Mapper, FSC US risk assessment maps and Google maps.

Five of Cosmo's eleven or 45% of the suppliers were audited. Suppliers were audited because they source their raw materials directly from the forest. Cosmo does not have a direct relationship with the forests of origin (forestland owners). The suppliers were selected to obtain a representative sample of company size and product type. There were sawmills that produce dimensional lumber and specialty lumber products, veneer and plywood mill where waste material is chipped and sold to Cosmo, and whole log chipping operation that provides chips to Cosmo. The intensity of the sample was based on Canopy's Forest Mapper that showed that southwest Washington and northwest Oregon where Cosmo sources chips is Coastal Temperate Rainforest, a priority landscape where Ancient and Endangered Forests exist.

The audit of the Cosmo operation consisted of introductions, an overview of the company profile and operations, interviews with several principal officers, including the CEO, that are part of the team responsible for implementing their policy to eliminate Ancient and Endangered Forests and Other Controversial Sources from their raw material supply chain. They provided verbal and documented evidence requested by the auditor.

Each of the suppliers who participated in the audit included one or more employees either directly responsible for implementing their sourcing policies or an employee who has knowledge of their entire operation. They provided input and documents for tracking logs from forest of origin to their facilities through the manufacturing process and sales to Cosmo.

The audits were concluded with a closing meeting where Cosmo and suppliers were provided with some feedback in terms of conformance and the audit reporting process.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive Findings:

Cosmo has publicly committed to implementing their sourcing policy. Their policy conforms with the CanopyStyle requirement and is posted on their website. The Cosmo CEO made it clear in a statement to the auditor that the company wants to be a leader in sustainability and corporate responsibility.

Cosmo has systems in place to track their inputs from suppliers to the mill. Cosmo has documented procedures that meet FSC and PEFC Chain of Custody (COC) requirements. Additionally, Cosmo holds a FSC CoC-CW certificate whereby a risk assessment of the supply area has been documented and they conform to the Sustainable Forestry Initiative (SFI) Fiber Sourcing policy. They require a supplier declaration where the supplier must report what counties the forests are in where they procure logs. These systems and procedures provide partial conformance with the CanopyStyle Framework in that a source tracking system exists and the supplier declarations provide a regional location of the forests where the chip supply comes from.

Four of the five suppliers have PEFC CoC and SFI sourcing certificate. One has FSC CoC. Those with CoC or SFI sourcing are required by these certifications to have a materials tracking system. The suppliers interviewed all know the forest of origin from where they source logs. They have provided documentation to the auditor in the form of a purchase order and weigh ticket that shows the forest of origin, landowner, species, and other pertinent information. In most cases, the suppliers' log buyers/foresters visit the forest to ascertain log quality and species and in some cases adherence to state laws. They have also provided their sales (volume) summary of chips sent to Cosmo.

This provides partial conformance with the CanopyStyle Framework in that the forest of origin is known and the suppliers have a tracking system that identifies materials from the forest to the customer.

Cosmo relies primarily on Washinton DNR conservation measures to avoid Ancient and Endangered Forests. These systems are not designed to protect Ancient and Endangered Forests per se but do offer protection for the majority of the state's old growth, as well as species at risk. This, plus evidence about the diameter of trees harvested, and the fact that the company sources material from long converted secondary forests, suggest that Cosmo is at low risk of sourcing from Ancient and Endangered Forests.

Areas for Improvement:

While Cosmo and suppliers know the forest of origin and many are either FSC, SFI or PEFC certified, the suppliers audited are not clear on the concept of Ancient and Endangered Forests. They comply with regulations about old growth and Threatened and Endangered Species. Nearly all of the forestlands where the suppliers purchase logs are either FSC or SFI certified and those schemes have various conservation criteria. However, from interviews with the suppliers they appeared to not fully understand Ancient and

Endangered Forest definition. Therefore, committing to not supply from Ancient and Endangered Forest cannot be meaningfully accomplished other than relying on the State DNR or the certification schemes conservation efforts.

As mentioned above, relying on Washington DNR measures allows Cosmo to be at low risk of sourcing from Ancient and Endangered Forests. However, Cosmo’s due diligence system does not include site visits to confirm that supplier commitments of not harvesting in AEF are being followed and therefore while risk is low, it is not zero.

Cosmo and suppliers are not well versed in the concept of Free Prior and Informed Consent. If the forestland is FSC certified there are criteria for requiring FPIC. During the audit only the Washington DNR owned forestlands were identified as FSC certified. PEFC has criteria on Indigenous and community rights, but no FPIC criteria. Moreover, not all suppliers and not all forestlands are certified, therefore the implementation of FPIC would be inconsistent.

The CanopyStyle Framework requires that companies increase their inputs of FSC certified raw material. At the time of the audit, Cosmo includes 73% of fiber from forests and mills certified by SFI and PEFC and zero from FSC. There is some FSC inputs in their raw material, but according to the volume summary submitted by Cosmo it is not counted.

4.2 Summary of findings

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

** Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The producer is committed to be in compliance with their MMCF customer’s Fiber Sourcing/Forest Policies and the goals of the CanopyStyle Initiative.	1.1 The supplier is aware of the policies of the MMCF customers and understands its responsibility to be in full compliance with it.	Commitment in Progress
	1.2 The supplier has procedures, or specific due diligence system, in place that shows it is compliant with the MMCF producer’s policy.	Commitment in Progress
2. The dissolving pulp producer only sources raw material from suppliers that are transparent, traceable and are in conformance with their MMCF customer policy	2.1 The dissolving pulp production site/mill maintains a list of suppliers, as well as all purchase and sales documentation related to the wood fiber inputs. Documentation must include an identification of the forest of origin, and certification status if relevant.	Commitment in Progress

	2.2 The mill/production site maintains all delivery documentation received with the wood fiber inputs. Documentation must include an identification of the forest of origin, and certification status if relevant.	Commitment in Progress
	2.3 When sourcing from certified materials or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.	Commitment Met
	2.4 The production site maintains a summary of annual purchases and then sales to the MMCF products.	Commitment Met
3. No conversion of natural forest to plantations * *as defined by Forest Stewardship Council Principles and Criteria – definitions	3.1 The initial date of the plantation development has been documented and sourcing only occurs in plantations established before 1994.	Commitment in Progress
4. Any sourcing from Ancient and Endangered forests and other controversial sources have been eliminated	4.1 The dissolving pulp supplier is aware of all relevant local, national and international laws and there is no evidence of non compliance, with local, national or international laws. **	Commitment Met
	4.2 The dissolving pulp supplier has conducted an assessment of presence of Ancient and Endangered forests as <i>outlined in the Advice Note</i> and other controversial sources in their wood supply areas .	Commitment in Progress
	4.3. Wood suppliers comply with the commitment to not supply wood from Priority Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources.	Commitment in Progress
	4.4 Wood suppliers comply with the commitment to not supply wood from Other Ancient and Endangered forests, as <i>outlined in the Advice Note</i> .	Commitment in Progress
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	Commitment in Progress
5. If suppliers contravene these criteria, the dissolving pulp producer will eliminate the risk or engage the supplier to change practices	5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the MMCF customer policy and sanctions to suppliers in such cases where non-conformances are identified.	Commitment in Progress
	5.2 The MMCF producer has developed procedures for engaging with suppliers, including an option of withdrawing from	Commitment Met

	<p>purchase and other agreements in situations where non-conformance is found. **</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found **	Not Applicable
6. If sourcing from Priority Ancient and Endangered forests, the dissolving pulp producer (and/ore suppliers) can document that the three criteria listed above are in place.	6.1 The dissolving pulp supplier shares documentation that large-scale scientifically-based thresholds of conservation have been met in its sourcing area, as well as protections for species at risk.	Commitment in Progress
	6.2 The dissolving pulp supplier is utilizing FSC certified inputs and is producing FSC products.	Commitment in Progress
	6.3 The dissolving pulp producer requires all of its suppliers to adhere to all elements in 6.1 to protect large-scale areas based on scientific thresholds for conservation.	Commitment in Progress
	6.4 The dissolving pulp producer requires of its suppliers and/or their associations 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.**	Commitment in Progress
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.	7.1 The production site/mill has developed and requires its forest/wood suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	Commitment in Progress
	7.2 Forest/wood 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. **	Commitment in Progress
	7.3 The MMCF producer and its forest/wood suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	Commitment in Progress

	7.4 The MMCF producer and its forest/wood suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.	Commitment Met
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers (forest/wood suppliers) uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	Commitment in Progress
	7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**	Commitment in Progress

4.3 Volume Summaries⁵

Reporting period: 2021

Category	Explanation	Volume (admt)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	31,965.6	26
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	969.2	1
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.	0	0
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	88,813.1	73

⁵ The volume summary is provided by the organization.

Appendix C: STANDARD CHECKLIST (CanopyStyle Verification Framework –Dissolving Pulp Suppliers and Forest Level Verification Checklist)

1. Evaluation of Cosmo Specialty Fibers

Primary Responsible Person: (Responsible for control system at site(s))	Larry Davis, Director, Strategic Initiatives
Auditor(s):	Walter Smith
People Interviewed, Titles:	Larry Davis, Director, Strategic Initiatives Choa Moua, Operations Manager Eric Larsen, CFO Jesse Sherman, Senior Accountant Melanie Stratton, Logistics Manager Nick Dottino, CEO
Brief Overview of Audit Process for this Location:	Same as above in section 3
Comments:	The five suppliers audited as part of the Cosmo audit: Alta Forest Products Hampton Forest Products Murphy Plywood Weyerhaeuser, Raymond Willis Enterrpises, Moon Island

2. Standard Checklist

1. The producer is committed to be in compliance with their MMCF customer's Fiber Sourcing/Forest Policies and the goals of the CanopyStyle Initiative.	
Indicators	Findings
1.1 The suppliers is aware of the policies of the MMCF customers and understand its responsibility to be in full compliance with it.	<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>While Cosmo is a dissolving pulp manufacturer, it has developed its own policy that aligns with the CanopyStyle Sourcing Policy rather than relying soley on the MMCF policies. Cosmo has a number of customers with CanopyStyle policies. Cosmo spent several years working with Canopy to develop the policy and to</p>

	<p>provide feedback to the CanopyStyle indicators for a dissolving pulp operation and suppliers.</p> <p>Cosmo began this journey when customers who had CanopyStyle sourcing policies inquired about Cosmo's supply. The Cosmo sourcing area is in temperate rainforest that contains Canopy priority Ancient and Endangered Forests. Cosmo responded to these inquiries by contacting Canopy to create their own policy and procedures.</p> <p>The auditor has reviewed the Cosmo <i>Ancient and Endangered Forest Conservation Vision and Forest Fiber Procurement Policy</i> and finds that it conforms with the Canopy standard. Moreover, Cosmo Strategic Initiatives Director and CEO verbally assured the auditor that they understood their responsibility to implement the policy.</p> <p>Four of the five suppliers audited had reviewed Cosmo's policy. None of the suppliers have their own policy. It is not clear from the interviews that the suppliers understand their responsibilities. Those that have a FSC/PEFC CoC certificate or SFI sourcing certificate rely heavily those procedures to track the logs from the forest to the mills. Other than that they follow state forestry laws with respect to old growth, endangered species, wetlands, archeological sites, etc.</p>
<p>1.2 The supplier has procedures, or specific due diligence system, in place that shows it is compliant with the MMCF producer's policy.</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>Cosmo has systems in place to track their inputs from suppliers to the mill. Cosmo has documented procedures that meet FSC and PEFC Chain of Custody (COC) requirements. Additionally, Cosmo holds a FSC CoC-CW certificate whereby a risk assessment of the supply area has been documented. In addition they conform to the SFI Fiber Sourcing policy. They also require the suppliers to provide county level locations of their forest sourcing area for a given year. However, the due diligence system is lacking because it does not include periodic forest level monitoring of the supplier's raw material inputs. The SOP, purchase agreements and certification documents were reviewed by the auditor. However, occasional site visits do occur. For example, a harvest on an industrial forestland was being protested as containing an old</p>

	<p>growth forest. The proponents of protecting this forest state: <i>The Wynoochee Remnant totals approximately 50 acres and is comprised of a 20-acre old-growth cedar/hemlock forest located next to a high conservation value wetland, as well as several dozen outlying giant Douglas Fir trees and old-growth snags.</i></p> <p>The 20 acre cedar and hemlock stand is being preserved. According to Cosmo's Strategic Initiatives Director, who is also a forester and visited the site, the remaining area containing remnant old growth Douglas Fir did not meet the definition of Ancient and Endangered Forest. The Douglas fir portion of the site was harvested, but the old growth trees were preserved.</p> <p>All of the suppliers have due diligence systems. Their log buyers or foresters visit most of the forests where they purchase logs. They make sure that the landowner has a permit and primarily check out the quality and size of the trees. They rely on the Washington State DNR to identify old growth, endangered species, wetlands, cultural sites, etc. The purchase order documents (that includes location, landowner, log seller, species, legal and other requirements) CoC (where relevant) and transportation documents were reviewed by the auditor.</p> <p>Not all suppliers shared the documents given confidentiality issues. However, through interview with the suppliers, all of the suppliers follow very similar procedures.</p>
<p>Summary: Cosmo clearly has a Canopy Ancient and Endangered Forest conforming policy. Cosmo's due diligence system does not include forest site visits. Suppliers are not evaluating the forest sites for Ancient and Endangered Forests, but rely on Washington State DNR to identify ecologically significant sites for protection</p>	

2. The dissolving pulp producer only sources raw material from suppliers that are transparent, traceable and are in conformance with their MMCF customer policy

Indicators	Findings
<p>2.1 The dissolving pulp production site/mill maintains a list of suppliers, as well as all purchase and sales documentation related to the wood fiber inputs.</p> <p>Documentation must include an identification of the forest of origin, and certification status if relevant.</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>Cosmo has provided a list of suppliers, and purchase and sales documentation to the auditor. The purchase documents provide the relevant information on the supplier, e.g. name, location, species, tonnage, certification etc. Cosmo follows their FSC and PEFC CoC certification procedures for certified inputs. In terms of forest of origin, suppliers to Cosmo must fill out a "Supplier Declaration" that includes that the supplier indicate that "...the fiber/ raw material provided to Cosmo originates from the location(s) listed." The locations are not forest (landowner) specific, but identified by county of origin. The suppliers track fiber by forest of origin but only provide Cosmo with county of origin.</p> <p>Moreover, when developing their Due Diligence System (DDS) for FSC CoC-CW, they overlaid an ownership map with the FSC risk assessment map to see if there was a possibility of a forestland owner overlapping with a high risk forest area. None were found.</p> <p>Maps need to be augmented by ground-truthing to refine the accuracy.</p> <p>A list of suppliers as well as purchase and sales documentation were reviewed by the auditor as evidence.</p>
<p>2.2 The mill/production site maintains all delivery documentation received with the wood fiber inputs. Documentation must include an identification of the forest of origin, and certification status if relevant.</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>Cosmo and suppliers maintain all delivery documentation.</p> <p>Cosmo requires a Chip Supply Agreement and Supplier Declaration that includes the location (by county) of the forest of origin and certification status before a chip supply can be accepted into the chip yard.</p> <p>The yard workers confirm that sourced fiber originates from an area covered under the scope of the PEFC Controversial Sources/ FSC controlled Wood Risk Assessments. They also ensure that any chips, deemed "uncontrolled" (i.e., not FSC certified, not FSC Controlled</p>

	<p>Wood certified, or not included within the scope of the Cosmo Controlled Wood) are not accepted.</p> <p>The delivery documents are entered into a computer program. It includes the chip supplier's certification claim, percent certified, and supplier's CoC certificate # (for certified wood) is noted on payment transaction documentation.</p> <p>The suppliers require that when the logs arrive at the mill the transportation documents quote the purchase order. The forest of origin (location) is on the transport document and linked to the purchase order. The purchase order would also contain the certification status of the forestland owner if applicable. Not all suppliers are PEFC or FSC CoC certified, but if they are and are supplying from certified forestlands the certification code would be on the delivery documents.</p> <p>A sample of supplier transportation and delivery documents and summaries were provided to the auditor as evidence.</p> <p><i>Conformance is graded as Commitment in Progress given that Cosmo only knows the county of origin of logs that go to their suppliers. Cosmo's FSC CoC/CW certificate also includes Willis Enterprises Moon Island. For that supplier Cosmo would have access to the forest of origin.</i></p>
<p>2.3 When sourcing from certified materials 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 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>Cosmo has an FSC CoC/CW and PEFC CoC certificate. Certified material is tracked as noted above in 2.2. Many, but not all, suppliers have FSC or PEFC CoC certificates and SFI sourcing certificate. The relevant claim information is recorded on delivery documents. Not all suppliers make a claim on product sales. If they do they follow the certification standards regarding claims. Only Cosmo, Willis and one other supplier that was sampled during the audit has FSC CoC.</p>
<p>2.4 The production site maintains a summary of annual purchases and then sales to the MMCF products.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

	<input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: Cosmo maintains an annual summary of purchases and sales. Purchases are recorded by the individual supplier of chips and by total from all suppliers. While Cosmo sells all of its products through a sales agent, Central National-Gottesman, Inc., (CNG) based in New York, it does maintain a record of the MMCF companies that buy their pulp and the amounts. CNG sells the pulp, but Cosmo ships the product directly to the customer.</p> <p>The purchases and sales summary documents were reviewed by the auditor as evidence of conformance.</p>
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Summary: Suppliers know the forest of origin by landowner Cosmo only knows the forest of origin by county. Cosmo and most suppliers are either FSC or PEFC CoC certified, therefore they can track their raw material and when purchasing certified material the certification code is included. Cosmo and suppliers keep a summary of purchases and sales.

3. No conversion of natural forest to plantations *

***as defined by Forest Stewardship Council Principles and Criteria – definitions**

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: There was no evidence provided by Cosmo or suppliers of the date of which the forests where Cosmo's fiber is sourced were converted to secondary plantation forest. The evidence – such as historic records - suggests that most of the timber production forestland was first harvested starting in the late 19th century up to the 1970's. Towns like Cosmopolis, Shelton, Hoquiam, Raymond, Aberdeen and surrounding forest area is historically timber production. A look at Google Earth shows the extent of industrial forest management on the landscape and</p>

	where the private lands abut the Olympic national forest and park.
Summary: Available evidence suggests that most of the timber production forestland was harvested starting in the late 19 th century and the 1970's. However, there was no specific evidence related to individual forests that provides conversion dates.	

4. Any sourcing from Ancient and Endangered forests and other controversial sources have been eliminated	
Indicators	Findings
4.1 The dissolving pulp supplier 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> <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: While the auditor did not interview law enforcement agencies, there is no evidence via internet search that Cosmo is not complying with local, state, national or international laws. Cosmo has committed to comply with the values of the FSC and process fiber that are not from FSC's policy on controversial sources.</p>
4.2 The dissolving pulp supplier has conducted an assessment of presence of Ancient and Endangered forests as <i>outlined in the Advice Note</i> and other controversial sources in their wood supply areas .	<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: Cosmo holds a FSC CoC-CW certificate whereby a risk assessment (carried out by Zimmfor Management Services) of the supply area has been documented. When developing their Due Diligence System (DDS) for FSC CoC-CW, they overlayed an ownership map with the FSC risk assessment map to see if there was a possibility of a forestland owner overlapping with a high risk forest area. None were found. Cosmo also conducted a high level comparison of its sourcing area with ForestMapper and had detailed discussions with Canopy about it's impact on specific Ancient and Endangered Forest values. However, the due diligence system is lacking because, for the most part, it does not include periodic forest level monitoring of the</p>

	<p>supplier's raw material inputs. Cosmo did visit one harvest where Ancient and Endangered forest might be present and concluded that it was not Ancient and Endangered Forest.</p> <p>Credit is given to Cosmo's risk assessment, therefore conformance is in progress.</p>
<p>4.3. Wood suppliers comply with the commitment to not supply wood from Priority Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources.</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 suppliers audited are not clear on the concept of Ancient and Endangered Forests. They comply with Washington State regulations about old growth and Threatened and Endangered Species. Nearly all of the forestlands where the suppliers purchase logs are either FSC or SFI certified and those schemes have conservation criteria. However, from interviews with the suppliers they appeared to not fully understand Ancient and Endangered Forest definition. However, the State DNR forest practice laws are effective enough that the risk of Ancient and Endangered Forests entering Cosmo's supply are low.</p> <p>The suppliers audited cannot receive logs larger than 32 inches with most limited to 28 inches or less on the large end. These are manufacturing limitations. While this is not a guarantee that they are not getting logs from an Ancient and Endangered Forest, it does mean that the logs are likely from secondary, plantation forests. Moreover, the log buyers and foresters who work for the suppliers visit most of the forests prior to offering a purchase agreement in order to assess the quality of the logs including diameter. They also make sure that the landowner has a permit from the State that would have included environmental review data (location of wetlands, endangered species, archaeological sites, etc.)</p> <p>In terms of other controversial sources, four of the five suppliers audited are PEFC or FSC CoC and/or SFI sourcing policy certified and are committed to not sourcing from material deemed unacceptable as outlined in the respective certification scheme criteria.</p> <p>Conformance can therefore be graded as in progress.</p>

<p>4.4 Wood suppliers comply with the commitment to not supply wood from Other Ancient and Endangered forests, as <i>outlined in the Advice Note</i>.</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: See finding above. The suppliers do not firmly understand “other Ancient and Endangered forests”</p>
<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 <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The <i>commitment</i> to not source from Ancient and Endangered Forests has been verified via commitment statements on Cosmo website and other FSC CoC-CW documented procedures. While FSC Controlled wood cannot offer assurances regarding Ancient and Endangered Forests, Washington DNR conservation measures do offer additional assurances. However, the <i>implementation</i> of the commitment has not been verified. Neither Cosmo or the auditor has been to the field to verify the sources, except in one case mentioned in Indicator 1.2</p>
<p>Summary: Cosmo and suppliers are aware of state, national and international laws. While Cosmo has done an FSC risk assessment, as well as a risk assessment for the presence of Ancient and Endangered Forests, the suppliers are not clear on the definition of Ancient and Endangered forests and other controversial sources. The implementation of the commitment to not source from Ancient and Endangered Forests has not been verified on the ground.</p>	

<p>5. If suppliers contravene these criteria, the dissolving pulp producer will eliminate the risk or engage the supplier to change practices</p>	
<p>Indicators</p>	<p>Findings</p>
<p>5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the MMCF customer 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 <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>Cosmo's monitoring of the suppliers is through the Washington DNR measures, CoC certification procedures, CoC third party audits and via the supplier declaration document. The forestlands that are FSC or SFI certified are monitored annually by the respective scheme. There are no site visits of the suppliers undertaken by Cosmo.</p> <p>Although most suppliers are at the very least audited by third parties, they are not directly monitored by Cosmo and not all suppliers are certified by either scheme.</p>
<p>5.2 The MMCF producer has developed procedures for engaging with suppliers, including an option of withdrawing from purchase and other agreements in situations where non-conformance is found. **</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p>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>Cosmo engages the suppliers through their supplier declaration and purchase agreements. They will not accept chips from a supplier that does not sign the declaration. Cosmo does have the option through their purchase agreements to withdraw from a relationship if certain elements of the agreement/contract are not met. Through their engagement with suppliers that includes FSC or PEFC or SFI Sourcing procedures, there are specific requirements, including not sourcing from controversial sources as defined by the certification schemes. They have also added elements of their Canopy commitment in the declaration form.</p> <p>Given that there are a couple of mechanisms for withdrawing from purchase agreements (the declaration and adhering to CoC requirements), the indicator can be graded as met.</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 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>There have been no withdrawals to date.</p>
<p>Summary: Cosmo does not monitor the suppliers, but relies on DNR measures and third party monitoring implemented by the forest certification schemes. They do have the ability to withdraw from purchase contracts is requirements of the contract is not fulfilled.</p>	

Indicator 6 - IMPORTANT Exceptional Element

The verification audit is intended to verify that MMCF producers are not sourcing from Priority Ancient and Endangered forests or other controversial sources and have met very specific criteria (see 4.4 above) if sourcing from Other Ancient and Endangered Forests. However, there are rare exceptions globally where Priority Ancient and Endangered forests are managed in a comprehensive strategy that forwards bold scientifically-based conservation thresholds, FSC management is in place within the forests or plantations and conservation economies that support local (in many cases Indigenous) communities are being forwarded. These are the exceptions this indicator will audit for.

The three criteria to meet this indicator include:

- Large-scale scientifically-based thresholds of conservation* have been met. Note: Where conservation has not yet been legislated or established by governments (including Indigenous governments) or in jurisdictions where legislated conservation is vulnerable due to lack of enforcement, forest companies must have put in place adequate scientifically-based thresholds of moratoria areas and demonstrate a clear process to support the conservation of these areas and/or timelines to see legislation (or formal designation by traditional rights' holders) established AND
- Where logging is permitted outside these conservation/moratoria areas, FSC* is a minimum requirement. AND
- On a case-by-case basis additional conditions may be identified (e.g. related to restoration or community rights and reconciliation may be warranted. These case-by-case conditions will be specified by Canopy prior to auditing with the framework highlighted in peach below.

*i.e. large scale science-based conservation planning is expected to yield approximately 50-80% protection. Recommended thresholds of conservation may vary depending on forest type and geographical location.

6. If sourcing from Priority Ancient and Endangered forests, the dissolving pulp producer (and/ore suppliers) can document that the three criteria listed above are in place.

Indicators	Findings
<p>6.1 The dissolving pulp supplier shares documentation that large-scale scientifically-based thresholds of conservation have been met in its sourcing area, as well as protections for species at risk.</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>While Cosmo's supply is not coming from Ancient and Endangered Forests, indicator 6 is nonetheless applicable because the Cosmo supplied is in coastal temperate rainforest. Ancient and Endangered Forests found in coastal temperate rainforest is a CanopyStyle priority for conservation. Coastal temperate rainforests are a priority for conservation because they are one of the rarest forest types. In any case, Cosmo and suppliers rely on Washington DNR to establish conservation and protections for species at risk. Washington State DNR has divisions of forest practice compliance, Habitat Conservation and Natural</p>

	<p>Areas programs. Washington's conservation measures are some of the most robust in the U.S and they preserve unique habitats (including old-growth) on DNR lands and a concerted effort to preserve unique on private lands wherever they can. It is therefore likely that these programs would conserve Ancient and Endangered Forests. The sourcing area is near the Olympic national forest and Park (federal) where large scale conservation efforts are being implemented. Cosmo shared no information on large scale scientifically-based thresholds of conservation, but benefits from the measures state actors and other stakeholders have developed over time.</p> <p>Information on Washington's conservation programs (forest practices, habitat conservation plans, and natural heritage program) can be found here: https://www.dnr.wa.gov/programs-and-services/forest-practices</p> <p>The example of the <i>Wynoochee Remnant</i> outlined in Indicator 1.2 points to the ability for newly identified old-growth habitats to be added to the conservation network when demanded by civil society groups.</p>
<p>6.2 The dissolving pulp supplier is utilizing FSC certified inputs and is producing FSC products.</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: Cosmo is FSC CoC-CW certified and does receive FSC mix inputs from at least one supplier and makes the FSC CoC-CW claim on export documents to the customer. A sample bill of lading was reviewed by the auditor as evidence.</p> <p>Given that they receive a portion of their supply as FSC, the indicator can be graded as commitment in progress.</p>
<p>6.3 The dissolving pulp producer requires all of its suppliers to adhere to all elements in 6.1 to protect large-scale areas based on scientific thresholds for conservation.</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 findings in 6.1 would essentially apply here. It is not clear to the auditor whether Cosmo or suppliers understand this requirement. Cosmo and all of the suppliers rely on the State DNR for conservation initiatives. Moreover, the sourcing area is near the Olympic national forest and Park (federal) where large scale conservation efforts are being implemented.</p>
<p>6.4 The dissolving pulp producer requires of its suppliers and/or their associations 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 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: Decisions on forest conservation are left to the State, and major conservation programs have been legislated. It is unknown whether Washington DNR utilizes FPIC in their decision making. FSC certified forestlands would be required to implement FPIC in land-use decisions, however, Cosmo is not requiring it. SFI does not require FPIC.</p>
<p>Summary: Cosmo and suppliers rely on Washington DNR to establish conservation and protections for species at risk and old-growth. Washington State DNR has divisions of forest practice compliance, Habitat Conservation and Natural Areas programs. It is likely that these programs conserve Ancient and Endangered Forests, but not necessarily comply with FPIC. The sourcing area is near the Olympic national forest and Park (federal) where large scale conservation efforts are being implemented. Cosmo or suppliers shared no information on large scale scientifically-based thresholds of conservation. Some of the raw material inputs are from FSC certified sources.</p>	

<p>7. The dissolving pulp producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.</p>	
<p>Indicators</p>	<p>Findings</p>
<p>7.1 The production site/mill has developed and requires its forest/wood suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **</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: Cosmo has a commitment to FPIC in its policy and requires the same of its suppliers (though declaration) However, there is no</p>

	<p>evidence that the suppliers have FPIC policies and are implementing FPIC.</p> <p>The forests that are FSC have criteria for FPIC or equivalent and grievance processes. However, the SFI certified forests do not require FPIC. Given that there are some coverage of FPIC, the indicator can be graded as Commitment in Progress.</p>
<p>7.2 Forest/wood 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>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: Cosmo and all of the suppliers audited have an HR department whereby worker rights are monitored. Some have a third party to accept worker grievances if the worker who has a complaint is not comfortable going through the company HR. The auditor reviewed a sample of worker complaints procedures as evidence.</p> <p>Cosmo and suppliers are committed to ILO conventions and UN conventions on Human Rights through their FSC, PEFC, or SFI certification.</p> <p>Not all of the suppliers are certified to any of the certification schemes and did not provide evidence about how they are committed to Human, labor and Indigenous rights, therefore the indicator is graded as Commitment in Progress.</p>
<p>7.3 The MMCF producer and its forest/wood suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p>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: Cosmo and suppliers that are certified, including forestland owners, are required to have a grievance policy by the certification schemes. They are not necessarily required include or have agreement with the aggrieved party or stakeholders. In, addition, not all suppliers are certified.</p> <p>Given that not all suppliers are certified and grievance policy requirements do not</p>

	necessarily conform with 7.3. Therefore Commitment in Progress.
<p>7.4 The MMCF producer and its forest/wood 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 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: Cosmo and the suppliers audited have HR departments and have internal policies that are provided to the workers via employment handbooks. Each employer is bound to comply with State and Federal labor laws. Evidence was obtained through interviews and review of one employee handbook. Again, the FSC and PEFC CoC certificates and Forest Management certification requires worker rights protections.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers (forest/wood suppliers) uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p>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: Cosmo and suppliers and forestland owners are committed to ILO declaration on the Fundamental Principles and Rights at Work through their FSC, PEFC, or SFI certification. However, Cosmo and suppliers do not have procedures to ensure their suppliers uphold the ILO declaration. Because most of the suppliers and forestland owners have pledged commitment to the ILO Declaration through their FSC, SFI or PEFC certification, the indicator is graded Commitment in Progress.</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</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: A check of the Washington State Human Rights Commission website found no evidence of current human rights violations for Cosmo or any of its suppliers. There is no</p>

	evidence available to confirm that Cosmo or suppliers are avoiding or failing to resolve social conflicts or remedy past human rights violations.
<p>Summary: Cosmo has an FPIC policy but its suppliers do not have FPIC policies and are not implementing FPIC.</p> <p>The forests that are FSC or PEFC certified have criteria for FPIC or equivalent and grievance processes. However, SFI certified forests do not require FPIC. Cosmo and all of the suppliers audited have an HR department whereby worker rights are monitored. Some have a third party to accept worker grievances if the worker who has a complaint is not comfortable going through the company HR. Cosmo and suppliers that are certified, including forestland owners, are required to have a grievance policy by the certification schemes. They are not necessarily required include or have agreement with the aggrieved party or stakeholders. Cosmo and suppliers and forestland owners are committed to ILO declaration on the Fundamental Principles and Rights at Work through their FSC, PEFC, or SFI certification. Not all of the suppliers are certified.</p>	

Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

The CanopyStyle Initiative has developed these recommendations to provide direction on how companies should address some of the main non-conformities found in this audit report.

These recommendations have been developed by Canopy, presented to the company for feedback, and are provided as an appendix in this audit report for use by the company and auditors, starting immediately after finalization of the audit report.



Recommendations for Cosmo Specialty Fiber for continuous improvement

June 2022

Canopy applauds Cosmo for seeking out a verification audit for its dissolving pulp operations. The report concludes that the company is at low risk of sourcing from Ancient and Endangered Forests, due to the fact that the it sources is from long-established second-growth plantations established and the fact that Washington's state's has a strong regulatory framework for protections for old-growth habitats.

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

1. Develop specific procedures to monitor CanopyStyle policy commitments, such as regular field monitoring of suppliers, to ensure that no harvesting of Ancient & Endangered Forests is taking place in the supply area, and that adequate buffer areas are in place to prevent blowdown.
2. Use the best available science for the assessment of presence of old-growth, including the forthcoming American Conservation and Stewardship Atlas.
3. Conduct an assessment of Washington state forestry regulations ability to meet scientific thresholds for conservation.
4. Conduct training seminars on Ancient & Endangered Forests, and Free Prior and Informed Consent (FPIC) for Cosmo procurement staff, as well as supplier procurement staff and foresters.
5. Track the status of the Wynoochee Remnant to ensure it receives formal conservation designation, as well as any other newly identified old-growth stands that are not protected.
6. Increase the percentage of Forest Stewardship Council certified inputs over time, with preference for FSC 100%, and encourage your suppliers to seek FSC certification.

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

Once again, we commend Cosmo on its proactive development of a procurement policy, and its collaboration to reduce risk in the MMCF supply chain.

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