



# CanopyStyle Audit Report for Daiwabo Rayon Co., Ltd.

**Annual audit 2022**

**Evaluation date: 08-Aug-2022**

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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 Daiwabo Rayon Co., Ltd. hereafter referred to as “Company”, against the requirements of the Verification Framework and Guidelines, (September 2021 version<sup>1</sup>) and related guidance documents<sup>2</sup> developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>3</sup> and the over 500 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fiber (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

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

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

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

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

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

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

# 1. GENERAL DESCRIPTION

## 1.1 Company overview

Daiwabo Rayon Co., Ltd. is a Japan based company that was established in February 1988, originated with the establishment of the Izumo Boseki Iwami viscose mill in 1934 and a merger of four companies: Kinka Boseki, Hinode Boseki, Izumo Boseki and Wakayama Boseki into its Daiwabo Iwami viscose mill in 1941. It is now the only viscose rayon mill currently under operation in the entire nation, whose business markets include rayon fiber processors for spinning, non-woven, paper, and other use. It is a subsidiary of Daiwabo Holdings Co., Ltd.

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

Located on the coast of the Sea of Japan, in Shimane prefecture of the western Japan, their main and only man-made cellulosic (MMCF) fiber production site, Masuda Mill, produces 83 tons of rayon fiber a day. All the dissolving pulp sourced from the local region in Japan or imported from various countries including Australia, Portugal, and South Africa, is under the audit scope along with its company management.

## 1.3 Company sourcing policy

According to their *Wood Pulp Sourcing Policy*, which is effective since July 2022, the Company is committed to making responsible use of wood-derived raw materials for the production of rayon fiber in accordance with the following basic concept and 4 sourcing policies:

*Daiwabo Rayon Co.,Ltd. puts importance on determining suppliers of wood pulp as main raw material, and procures wood pulp harvested from properly managed forest resources.*

- (1) We actively procure wood pulp from suppliers who have obtained forest certification such as FSC certification.*
- (2) In order to source pulp derived from "wood whose legality and sustainability can be verified," we evaluate and select wood pulp suppliers. If a supplier is found to be improperly sourcing raw materials, we will take appropriate actions such as providing guidance for improvement or suspending transactions.*
- (3) For appropriate raw material procurement, we avoid procuring pulp made from the following types of wood.*
  - A. Illegally harvested wood*
  - B. Wood that is harvested from areas where violation of traditional rights and human rights exists*
  - C. Wood that is harvested from forests officially identified as being of high conservation value such as ancient and endangered forests*
  - D. Wood that is harvested from forests made by planting genetically modified trees*
  - E. Wood that is harvested from plantation established after 1994 through the conversion or simplification of natural forests*
  - F. Wood that is harvested without "free, prior and informed consent" by indigenous peoples and traditional communities*
- (4) To protect limited resources from forest destruction, we support the forest protection activities of Canopy, a non-profit organization, and cooperate in accepting third-party audits. We also strengthen cooperation with our suppliers to ensure compliance with this policy.*

As their nature conservation initiatives, the Company also emphasizes that:



*We proactively work to develop products using alternative raw materials such as recycled materials.*

Decisions for secondary processing inputs for the rayon fiber production facility are made centrally at the Function Material Section of the Sales Department at its HQ in Osaka. In order to enable procurement of FSC Mix and FSC Controlled Wood materials, the Company shares the sourcing policy with its suppliers. Today, 100% of the Company's wood-derived supply for MMCF is from FSC Mix and FSC Controlled Wood sources.

## 2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	FSC Mix or FSC Controlled Wood dissolving pulp	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No  Comments: The Company was informed of the sources at various levels (municipality, state, or country) by its dissolving pulp suppliers but has not confirmed its county- or FMU-level areas and thus provided no overlay map yet.
Mill Capacity:	30,000 ton/year of rayon fiber	
Primary Activity:	Rayon fiber production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 120	Permanent female: 9
	Contract male: 16	Contract female: 8
	TOTAL:	153

Sites included in evaluation	Location
Dept. Office	Midosuji Daiwa Bldg. 6-8, Kyutaromachi 3-chome Chuo-ku, Osaka 541-0056 Japan
Masuda Mill	3-1 Suko-cho, Masuda, Shimane 698-0036 Japan

## 3. EVALUATION PROCESS

### 3.1 Audit Team

Auditor name(s)	Qualifications
Yuki Nakamura	<ul style="list-style-type: none"> <li>-Preferred by Nature - Responsible Sourcing Consultant</li> <li>-Consultant for due diligence system &amp; certification</li>   <li>-With academic and professional experiences of over 10 years in forest industry and timber supply/value chains worldwide, focused on FLEGT and REDD+ particularly in Asia-Pacific &amp; Eastern Europe regions</li>   <li>-Former project leader of the Country Specific Guidelines of the Clean Wood Act of Japan</li> <li>-Former REDD+ technical expert for national forest monitoring systems of JICA int'l coop project</li>   <li>-MSc. Forest Ecology and Management</li> <li>-BSc. Environmental Studies Policy Option</li> </ul>

### 3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Masuda Mill	8 <sup>th</sup> August, 2022	7 hours

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

### 3.3 Description of Overall Audit Process

The Company shared all the company profile, supplier list, and system documents with the Preferred by Nature contact while the auditor shared an audit plan with the Company before the remote audit.

On 8<sup>th</sup> August, 2022, the onsite audit session started with an opening meeting with the presence of the Vice Plant Manager the manager and a key staff member of the Product Development Dept., and the chief of the Sales Dept. in charge of relationship with client companies demanding the Canopy audit. The brief introduction of auditing body and auditor, the objective, scope, procedures, and schedule of the audit, and finally the conflict of interest (COI) issues were communicated followed by a Q&A session. Then, the manager of the Product Development Dept. gave a brief introduction of the Company and operation activities with emphasis on the continuous efforts made on FSC CoC certification and its application to the Canopy sourcing policy implementation.

Following the opening meeting, the auditor interviewed the management team regarding each of the system documents provided by the Company in advance. First, the auditor thoroughly examined the raw material procurement policy and its action plan and practices for the following five principles: 1) protection of endangered forests and ecosystems; 2) recognizing, respecting, and upholding human rights and the rights of

local communities; 3) reduction of greenhouse gas emissions; 4) innovative and alternative fiber development; and 5) transparency, traceability, and verification. Also, by referring to each of the submitted documents for FSC CoC certification audit, the interviewees provided detailed explanation especially on the company structure, operation standards, Canopy training, and supplier management.

After interview with management, site inspection was held around the plant, with focus on input and output inventory management. Then, related documents were reviewed, such as Wood Pulp Sourcing Policy and standard operational procedures, Annual Volume Summary Data, purchase documents, Training Plan and records, and communication with the suppliers, etc. The auditor examined all the performance indicators and identified further questions to obtain missing information.

The closing meeting was held to briefly explain the main findings to the Company.



## 4. EVALUATION RESULT

### 4.1 Evaluation Conclusion

#### Positive Findings:

The Company has developed a sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

With the CanopyStyle-oriented standard operation procedure already developed and shared with the mill, the Company has obtained an FSC-CoC certification and deals with material carrying an FSC claim only, with its material and product scope identical with this Canopy audit. The FSC-CoC management system is thus already available to be applied/developed with extra/non-overlapping standards added in order to meet the Canopy sourcing policy requirements.

Given this FSC-CoC certification and its certified material, the Company has partly covered the basic requirements or partly mitigated risks regarding legality and risks related to violation of human rights, post-1994 conversion of natural forests to plantations, and use of Genetically Modified Organism, with its chain of custody in place and in transparency.

In addition, the Company is quite active in the development of innovative and alternative fiber. The Company has been working with Hong Kong Research Institute for Textile and Apparel (HKRITA) on a joint project where they receive the cotton separated from clothes from HKRITA and use it as input for the Company's viscose fiber production. They have also started getting recycled cellulose fiber extracted from used cotton clothes to be supplied from a Swedish supplier.

#### Areas for Improvement:

Even though the Company has already developed a Canopy sourcing policy and SOP and obtained an FSC-CoC certification and deals with material carrying an FSC claim only, Canopy requirements should be included in supplier contracts as binding requirements along with engagement and withdrawal procedures in the case of violation. In order to verify suppliers' compliance with the Canopy requirements, the Company needs to request and obtain documentation on its conformance from its suppliers and should not rely only on the FSC-CoC/CW status of its suppliers.

The forest region of origin is mostly identified only up to country or state level but not to county or FMU level, and site-specific volume of each direct supplier's input is not clear, either. Accordingly, the Company has used only the Dissolving Pulp Classification tool for risk assessment on the suppliers, but this is not the case with the Forest Mapper and advice note on Ancient and Endangered Forests, whose use requires specification of sourcing sites with higher resolution and otherwise makes it difficult for the Company to completely verify suppliers' compliance with the Canopy policy to the end.

This source identification is important especially because the CanopyStyle Classification of Dissolving Pulp Mills states that "a subsidiary of Nippon Paper (one of the wood pulp suppliers for the Company), Australian Paper, has a sourcing relationship with VicForest, which has been found to have conducted illegal logging in Australia." Nippon Paper has

provided a declaration stating that it is not sourcing from VicForest, but this has not been verified through audit.

Regarding the stakeholder relations and transparency with them, the Company is willing to share supplier information with its customers, the public, and the Leaders' Group, but has not done so yet.

In a nutshell, the Company has made great efforts to obtain the FSC-CoC certification and deal with materials carrying an FSC claim. An action plan to increase FSC 100% or Mix with higher % over FSC Controlled Wood intake is recommended. Along its increasing process, it is important not to just rely on certification and direct suppliers but also to identify forest origins with higher resolution and get able to reach out to the local stakeholders so that the Company can verify and advocate the Canopy compliance at the onsite level.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Marubeni Corporation DPM: Sappi Southern Africa Ltd. Saiccor Mill @ South Africa	Low Risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Nippon Paper Industries Co., Ltd. DPM: via its Gotsu Mill sourced from Japan and Australia	Low Risk	Risk due to connection with illegal logging (Australia).
NP Trading Co., Ltd., DPM: Caima Industria de Celulose, Caima Mill @ Portugal	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 **	Commitment Met

	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	Commitment Met
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	Commitment Met
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	Commitment Met
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	Commitment Met
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Commitment in Progress
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	Commitment in Progress
	1.8 The MMCF producer has put in place a grievance procedure.	Commitment Met
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	Commitment Met
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	Commitment Met
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	Commitment Met
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	Commitment Met
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	Commitment in Progress
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	Commitment in Progress
	2.4 The assessment is updated every year and shared with Canopy, with permission to	Commitment Met

	share with the Leaders Group.	
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	Commitment Met
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	Commitment in Progress
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. **	Commitment in Progress
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. **	Commitment in Progress
	4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fiber that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	Commitment in Progress
	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. **	Commitment in Progress
	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. **	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 MMCF producer will first engage them to change practices	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	Commitment in Progress

and then re-evaluate its relationship with them		
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	Commitment in Progress
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	Not Applicable
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, the Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	Commitment Met
*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)	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. **	Not Applicable
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	Not Applicable
	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	Not Applicable

	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. **	
	6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	Not Applicable
<p>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies in the forestry sector</p> <p>Note: This audit focuses on only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.</p>	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **	Commitment in Progress

	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. **	Commitment Met
	7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.	Commitment Met
	7.4 The MMCF producer and its 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 forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.	Commitment Met
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **	Commitment in Progress
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. **	Commitment Met
	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.	Commitment Met
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. **	Commitment Not Met
	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. **	Commitment Met
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation	Commitment Met

	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. **	Not Applicable
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. **	Commitment in Progress
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.	Commitment Met
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	Commitment in Progress
	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. **	Commitment in Progress
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> verify the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at <a href="https://www.roadmapzero.com/post/zdhc-man-made-cellulosic-guidelines-released">https://www.roadmapzero.com/post/zdhc-man-made-cellulosic-guidelines-released</a></p>	Not Applicable

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

Reporting period: 1st April, 2021 – 31st March, 2022 (latest Japanese fiscal year)

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	19,953 t	78.9% (includes double-

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



			certified with PEFC)
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	-	0%
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	4,496 t	17.8%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	848 t	3.3%
Non-FSC	Material received with no FSC claim.	-	0%
PEFC	Material received with an PEFC claim. Note materials can be received with dual a PEFC and FSC claim (no double counting)	-	0%

Total of 25,297 t/year

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

### 1. Evaluation of Site: Masuda Mill and Osaka Headquarters

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Kenji Kobayakawa Manager of Product Development Dept. at Masuda Mill
<b>Auditor(s):</b>	Yuki Nakamura
<b>People Interviewed, Titles:</b>	<Masuda Mill> -Makoto Hayashi: Vice Plant Manager -Kenji Kobayakawa: Product Development Dept. Manager -Erina Hada: Product Development Dept. Member  <Osaka HQ> -Junko Wakatsuki: Sales Dept. Chief
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b> Function Material Sect. of Sales Dept. at HQ is responsible for procurement and enforcement of the company sourcing policy and purchasing raw materials for the mill.	

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company has established a procurement policy for wood-derived materials aimed at the responsible use of wood-derived materials, which was signed by the CEO and posted on the website (<a href="https://daiwaborayon.co.jp/english/wp-content/uploads/2022/07/Procurement-policy_en_20220701.pdf">https://daiwaborayon.co.jp/english/wp-content/uploads/2022/07/Procurement-policy_en_20220701.pdf</a>) to be effective since July 2022.  The interview with the Vice Plant Manager and key staff of the mill confirmed that they are well informed of the definition of ancient and endangered forests and other controversial sources.</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company has already developed the SOP for the Canopy implementation along with the FSC-CoC standards, which are sharable upon request to stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Product Development Dept Manager at Masuda Mill has the overall responsibility for sourcing policy implementation and confirmed at an interview that he is fully aware of the Canopy policy, overall structure of related divisions, and their responsibilities.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization structure and training records for FSC-CoC implementation are available as the common basis to be applied for Canopy policy and SOP implementation. Through interviews the auditor confirmed that the organisation has sufficient staff capacity.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>

	<p>The Company notified all the tier 1 &amp; 2 suppliers of the Canopy policy standards via email, whose records were provided to the auditor as proof of notification and supplier confirmation.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Canopy policy was communicated to the tier 1 and 2 suppliers but not in the form of contract with binding obligation for both current and future suppliers.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company has the FSC-CoC management manual available, on which the supplier performance monitoring procedure is described, including monitoring frequency, monitoring method, and the evidence to be checked including FSC's open database.  The Company has also produced and implemented the "Pulp Supplier Evaluation Check Sheet" for evaluating supplier's status of forest certification, material sourcing practices, and conservation activities once a year in every February.  However, even though its scope is comprehensive, it is has not incorporated all elements of the policy, nor is robust enough in the sense that they have not developed the system to identify the sourcing sites at county or FMU level, which makes the resolution of evaluation too abstract.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>

	<p>The grievance procedure prepared for FSC-CoC certification is made available also for CanopyStyle in its SOP.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          Same as the grievance receiving procedure, its action plan is prepared for FSC-CoC certification, which is made available also for CanopyStyle in its SOP. The Company has never received any complaint over its FSC-CoC certification or Canopy-related issues.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          Vice Plant Manager shows familiarity with the Canopy policy and provided a fair understanding in interview. They have been also trained on FSC-CoC certification, which is partially applicable to the Canopy requirements.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          Apart from Osaka Office in charge of fiber procurement, the Masuda Mill is responsible for all procedures relating to Canopy. Both the Osaka and Masuda Mill have traceability procedures for both FSC-CoC and CanopyStyle that described in the SOPs. The site manager explained it with full understanding.</p>
<p><b>Summary:</b> The Company has developed a wood pulp sourcing policy for Canopy requirements and published and shared it with tier 1 and 2 suppliers. However, while its SOP and other documents available, it is not included in supplier contracts as binding requirements.</p>	

On the other hand, the Company has already obtained an FSC-CoC certification and deals with FSC controlled wood, FSC Mix, and FSC 100% source materials only. With its material and product scope identical with the Canopy audit, the Company thus applies/develops its FSC-CoC management system in order to meet the Canopy requirements by adding extra procedures for the non-overlapping standards. In this regard, many of the criteria commitment can be considered as already met.

**2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy**

Indicators	Findings
<p>2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            With 100% of raw material input being dissolving wood pulp, the Company has obtained an FSC-CoC certification and deals with FSC source material only. Volume of each category, FSC 100%, Mix, and Controlled Wood, is also identified.            However, even though they have used the DPM tool for risk assessment of each supplier, they have identified neither of sourcing sites at county or FMU level or site-specific volume of each direct supplier's input. Especially in the case of one of the suppliers, Nippon Paper Industries Co., Ltd., which provides dissolving pulp sourced from various sites in Japan and Australia, the Company has not identified those sites and thus volume composition of pulp from each site, neither.</p>
<p>2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The Company has used the Dissolving Pulp Classification tool for risk assessment on the suppliers.            However, this is not the case with the Forest Mapper and advice note on Ancient and Endangered Forests, which the Company did not use for their risk assessment. Because they have identified neither of sourcing sites at county or FMU level or site-specific volume of each direct supplier's input, thus without</p>

	<p>specific sourcing sites, it was not possible for the Company to use those tools.</p>
<p>2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company has identified domestic and exporting suppliers but not local supplier or forests levels. They have identified neither of sourcing sites at county or FMU level or site-specific volume of each direct supplier's input.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  After this first audit, the Company aims to update their assessment in February every year. They are willing to share its results with the Leaders Group if necessary.</p>
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  All the criteria are included in the Company's Canopy policy and addressed in the form of FSC-CoC certification.</p>
<p>2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company is willing to publish its suppliers but has not done so yet.</p>

**Summary:** The Company has obtained an FSC-CoC certification with its material and product scope identical with the Canopy audit and deals with FSC source material only. The company has, therefore, collected the supply chain information from the suppliers for the purpose of obtaining an FSC-CoC certification.

However, the Company has used the Dissolving Pulp Classification tool for risk assessment on the suppliers, but this is not the case with the Forest Mapper and advice note on Ancient and Endangered Forests because they have identified neither of sourcing sites at county or FMU level or site-specific volume of each direct supplier's input.

The Company is willing to share supplier information with the public and the result of risk assessment with the Leaders' Group but simply has not done so yet.

### 3. No conversion of natural forest to plantations

Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company is informed of the initial date of the plantation development only in its approximation. They purchase FSC Mix certified material. For FSC Mix Credit pulp, some portion of the supplier's procurement would originate from FSC-certified forests, which meet this requirement. However, some portion would originate from as controlled material, which does not necessarily preclude sourcing from plantations established after 1994. However, the FSC Controlled Wood material does not necessarily exclude material originating from plantations established after 1994. The Company could identify sourcing sites at county or FMU level and thus the more detailed initial dates of the plantation development.</p>

**Summary:** As mentioned in the principle 2, they have not identified sourcing sites at county or FMU level, thus, without any specific date of plantation development but only in its approximation (i.e. 70's, 80's). For avoiding post 1994 conversion material, the Company has purchased FSC Mix certified material in line with its CoC certification. However, the FSC Controlled Wood material does not necessarily exclude material originating from plantations established after 1994.

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

Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient &amp; endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress</p>



<p>that are consistent with this document and the forest sourcing policy template.**</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Company's policy includes those terms but only with URL to the Canopy website page of term definitions. The Company policy could include those definitions written on the same document.</p>
<p>4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fiber that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group.**</p>	<p><b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Company has used the Dissolving Pulp Classification tool for risk assessment on the suppliers. However, this is not the case with the Forest Mapper and advice note on Ancient and Endangered Forests because they have not identified sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of "ancient and endangered forests," either. In addition, one of the suppliers, Nippon Paper Industries Co., Ltd., has a subsidiary of, Australian Paper, which has a sourcing relationship with VicForests, a company which has been found to be in frequent breach of forest laws in Australia. Nippon Paper has submitted a declaration to the company that its dissolving pulp branch does not source from VicForests, but this has yet to be verified.</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><b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> Also for any raw material acquired before the Policy was adopted by the company, the Company has not identified its sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of "ancient and endangered forests," either.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there</p>	<p><b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable</p>

<p>is no evidence of non-compliance, with local, national or international laws.</p>	<p> <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b>          Even though the FSC claims on all the material indicates compliance with such laws, at the interview with the procurement manager, they were not fully aware of relevant laws and regulations.</p> <p>In addition, one of the suppliers, Nippon Paper Industries Co., Ltd., has a subsidiary of, Australian Paper, which has a sourcing relationship with VicForests, a company which has been found to be in frequent breach of forest laws in Australia. Nippon Paper has submitted a declaration to the company that its dissolving pulp branch does not source from VicForests, but this has yet to be verified.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b>          The Company is FSC-CoC certified and deals only with material carrying an FSC claim, with its related policy and procedures included in the Operating Standard Procedures. However, the Company is doing so without clear definitions and understanding of related terms, laws, and exact sourcing areas in the CanopyStyle framework, thus not being capable enough to verify its commitment.</p>
<p><b>Summary:</b> The Classification of Dissolving Pulp Mills for the Company's tier 1 suppliers, the Company's FSC-CoC status, and the fact that the Company deals only with FSC-certified material collectively indicate the absence of sourcing from ancient and endangered forests and other controversial sources. However, the Company has not identified exact sourcing areas, thus still not being capable enough to verify its own commitment in the CanopyStyle framework.</p>	

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

Indicators	Findings
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

	<input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The Company has obtained an FSC-CoC certification, deals only with material carrying an FSC claim, and identified all the domestic direct suppliers and exporting suppliers. However, the Company has not identified its sourcing sites at county or FMU level.
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> While the Canopy policy has been communicated and unofficially agreed on by the suppliers, and its relative SOP defines engagement and withdrawal policy for non-conformance, it is not included in the contracts as requirements and thus the procedures to deal with non-conformance are not secured.
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> There has been no case of identified non-conformance or withdrawal.
<p><b>Summary:</b> The Company has identified all the domestic direct suppliers and exporting suppliers based on its FSC-CoC certification to handle FSC-certified material. However, the Company has not identified its sourcing sites at county or FMU level, which makes it difficult to judge whether suppliers contravene these criteria at first place. Engagement and withdrawal procedures are defined in the Company SOP but not shared with its suppliers in any binding/contract form.</p>	

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

\*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest

management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)	
Indicators	Findings
6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company is willing to welcome those observers without any problem.</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><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Based on the suppliers' declaration and the Dissolving Pulp Classification Tool, the Company is not sourcing material from these areas. The Company has never discussed these issues with its suppliers.</p>
6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  There has been no identified case of sourcing from such areas.</p>
6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>

	<p>This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Based on the suppliers' declaration and the Dissolving Pulp Classification Tool, the Company is not sourcing material from these areas.</p> <p>The Company has never requested/required its suppliers to develop the management plan and is not sure whether its suppliers have developed it or not.</p>
<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>This indicator is required when company's sourcing has been verified as key priority areas of ancient and endangered forests. Based on the suppliers' declaration and the Dissolving Pulp Classification Tool, the Company is not sourcing material from these areas.</p> <p>The Company has never required its suppliers to develop and implement their own time-bound action plans to work with final land-use decision-makers.</p>
<p><b>Summary:</b> The Company welcomes interested stakeholders and Leaders Group observers to verify the implementation anytime. Since the Company is not sourcing in Priority Ancient and Endangered Forests, many of the above requirements are not applicable. To date, the Company has never approached the suppliers with intention to work together for any kind of mapping identification nor planning.</p>	

<p><b>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector</b></p> <p><i>Note: This audit focuses on only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.</i></p>	
<p><b>Indicators</b></p>	<p><b>Findings</b></p>
<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b> The Company has developed and expects its supplier to adopt a similar policy, systems, and procedures to implement Free, Prior, and Informed Consent of indigenous people and local communities by requiring FSC-certified materials but has not required suppliers to implement it in the form of binding contract.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> All the domestic direct suppliers and exporting suppliers have been informed of the Company's Canopy policy which expects them to conform the Company's commitment to recognize and respect the relevant rights. They are also supplying FSC-certified materials only.</p>
<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Company has its own grievance mechanism while its suppliers are also FSC-COC certified and supply only material carrying an FSC claim, which could guarantee the conformance to this indicator as FSC-COC certified companies are required to have such a mechanism for their certified scope.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Labour Union Collective Agreement of the Company was shown and explained to fully comply with relative national labour laws and cover other worker benefits/rights.</p>

	Suppliers as well as the Company are FSC-CoC certified, which could provide a high level of confidence that the workers' rights are recognized and respected, as FSC-COC certified companies are required to do so.
7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          Since all the suppliers are FSC-CoC certified, it could provide a high level of confidence that ILO is upheld via certification requirements.</p>
7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>          Recognition and respect for human rights is included in the Company's policy. Within the Company, there is a labour union which actively engages in the management of the Company. The Company and all suppliers are FSC-CoC certified and the supply FSC-certified materials only.          However, most of the materials are not being received with documentation to ensure this commitment is met all throughout the supply chain, back to the forest.</p>
<p><b>Summary:</b> Recognition, respect and upholding of human rights and the rights of communities and workers were all included in the Company's policy but not in any form of contract with its suppliers. All suppliers are FSC-CoC certified and supply FSC-certified material only, 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 Company has never got any documentation on its conformance provided by those suppliers apart from FSC-certified status.</p>	

## 8. Development of Innovative and Alternative Fiber

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



<p>that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Company has also started getting recycled cellulose fiber extracted from used cotton clothes to be supplied from a Swedish supplier.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p><b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> Regarding the project with the Swedish supplier on the recycled fiber extraction, the R&amp;D phase has been completed and entered into commercial scale phase. The product has been put into the market named as "Recovis".</p>
<p><b>Summary:</b> The Company has already developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore the development of recycled cotton cellulose fiber as new alternative fiber sources and is entering its commercialization phase.</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**</p>	<p><b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> No record of such participation in events exists.</p>
<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities.**</p>	<p><b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Company has not been prompted to be involved in such initiatives. The Company purchases only materials carrying an FSC claim, which could positively influence and</p>



	<p>affirm conservation and development solutions by the suppliers with FPIC of affected indigenous and local communities but would not entirely fulfil this requirement.</p> <p>Updated finding: Since the audit took place, the company has supported conservation solution through engagement with potential dissolving pulp supplier.</p>
<p>9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company is FSC-CoC certified and deals with materials carrying an FSC claim only, which requires preservation of HC VF and the FPIC of affected indigenous and local communities, but does not support any other solutions, targets, nor programs in public yet.</p> <p>Updated finding: Since the audit, the Company has supported the call for science-based targets through signing on to a level to the Parties of the Convention on Biological Diversity.</p>
<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company is not developing and implementing such programs yet but states its will to do so where appropriate on its Canopy policy.</p>
<p><b>Summary:</b> The Company is FSC-CoC certified and deals only with materials carrying an FSC claim, which could positively influence conservation and development solutions for preservation of HC VF and the FPIC of affected indigenous and local communities. However, apart from such certifications, the Company has not taken any particular action to advocate conservation solutions in public, such as participation in regional conservation forest planning, webinars and roundtables, writing to decision makers, and conference announcement.</p>	

10. Responsible forest management	
Indicators	Findings

<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company policy gives a preference to FSC while it is FSC-CoC certified and deals with materials carrying an FSC claim only. The Company is seeking a way to source FSC 100% material and an action plan to increase FSC intake is now under consideration. It should be noted however, that the Company is using small volumes of FSC 100%. However, they rather focus on the increase of recycled material than FSC.</p>
<p><b>Summary:</b> The entire supply chain is FSC-CoC certified and composed of FSC-certified materials only. An action plan to increase FSC 100% or higher % Mix over FSC Controlled Wood intake is now under consideration.</p>	

<b>11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses</b>	
<b>Indicators</b>	<b>Findings</b>
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  As a part of corporate strategies to actively and effectively reduce greenhouse gas emissions, CO2 emission data is collected from suppliers for calculation of the Company's carbon offset activities.</p>
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Supplier questionnaire asking if sourcing from such landscapes is implemented and answered, but it is not evaluated by specific county or FMU level.</p>

<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  <b>Policy in place</b>  The Company clearly states its preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands while the Company and its suppliers are FSC-CoC certified and deal with FSC-certified materials only, in which there are partial measures in place to protect such landscapes. However, they don't not have any other procedures in place. The suppliers that the Company sources from are not known to source from areas with tropical peatlands.</p>
<p><b>Summary:</b> As a part of corporate strategies to actively and effectively reduce greenhouse gas emissions, CO2 emission data is collected from suppliers for calculation of the Company's carbon offset activities. The Company also gives preference to the certified or FSC-CW materials and the suppliers that have partial management measures to protect forest and peatlands, which is however not evaluated by specific county or FMU level.</p>	

12. Pollution Prevention	
Indicators	Findings
<p>12.1 *This verification process <u>will not</u> verify at first hand the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. Iyocell process), and to implement the ZDHC new viscose guidelines available at <a href="https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released">https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</a></p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  *The CanopyStyle audit will not report on this indicator.</p> <p>Other tools such as the Hot Button report will address chemical management starting in 2020.</p>
<p><b>Summary:</b> N/A</p>	

\*\* Indicates Critical Indicators

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

### 1. Evaluation of Site: Masuda Mill

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Kenji Kobayakawa Manager of Product Development Dept. at Masuda Mill
<b>Auditor(s):</b>	Yuki Nakamura
<b>People Interviewed, Titles:</b>	Masuda Mill -Makoto Hayashi: Vice Plant Manager -Kenji Kobayakawa: Product Development Dept. Manager -Erina Hada: Product Development Dept. Member  Osaka HQ -Junko Wakatsuki: Sales Dept. Chief
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
<b>Comments:</b> Function Material Sect. of Sales Dept. at HQ is responsible for procurement and enforcement of the company sourcing policy and purchasing raw materials for the mill.	

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The key managers at the Masuda Mill are familiar with and active to implement the Canopy policy, with its fair understanding displayed at the interview.</p>
1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b> Apart from Osaka Office in charge of fiber procurement, at Masuda Mill, the traceability procedures for FSC-CoC certification are described in the standard operation manual and its site manager explained it with full understanding. Since its scope of product line is identical with that of Canopy audit, it is possible to consider the commitment met.</p>
<p><b>Summary:</b> The key managers at the Masuda Mill are familiar with and active to implement the Canopy policy and possess its fair understanding. While Osaka Office oversees fiber procurement of Masuda Mill, the key plant managers manage its chain of custody by applying FSC CoC procedures.</p>	

<p><b>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.</b></p>	
Indicators	Findings
<p>2.1 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> While the mill is not involved with wood pulp sourcing, all the purchase and sales information is recorded, kept, and summarized by the Osaka office, especially to be submitted for the purpose of FSC-CoC certification audit.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The mill has no sourcing activity of wood pulp but maintains the delivery documents managed by the procurement manager at Osaka.</p>
<p>2.3 All wood fiber input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p><b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b> The mill accepts only from the listed suppliers, which was confirmed with delivery documents as well as storage observation.</p>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The mill has no sourcing activity of wood pulp. The certification code and claim are included on the commercial invoice and packing list from the supplier and recorded in a summary to be submitted for the purpose of FSC-CoC certification audit.</p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The mill has no sourcing activity of wood pulp. Purchase and sales information is recorded, kept, and summarized to be submitted for the purpose of FSC-CoC certification.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The mill has no sourcing activity of wood pulp. The delivery notes from the company carry FSC certificate code, FSC Controlled Wood code, and certificate claim according to their FSC procedure. The delivery note does not include the forest/plantation of origin.</p>
<p><b>Summary:</b> While the mill is not involved with wood pulp sourcing, wood pulps are supplied only from the listed suppliers, with all the relevant transaction information is recorded, kept, and summarized by both the Osaka office and the mill, especially to be submitted for the purpose of FSC-CoC certification audit.</p>	

**3. No conversion of natural forest to plantations.**

Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in plantations established before 1994**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp. The Company is informed of the initial date of the plantation development only in its approximation. However, they deal only with material carrying an FSC claim, which would partially exclude post 1994 conversion material in line with its CoC certification. However, the FSC Controlled Wood material does not necessarily exclude material originating from plantations established after 1994. They could identify sourcing sites at county or FMU level and thus the more detailed initial dates of the plantation development, but the FSC certified status would suffice its conformance.</p>
<p><b>Summary:</b> They have not identified sourcing sites at county or FMU level, thus, without any specific date of plantation development but only in its approximation (i.e. 70's, 80's). For avoiding post 1994 conversion material, the Company deals only with material carrying an FSC claim in line with its CoC certification, though this only mitigates the risk.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.	
Indicators	Findings
<p>4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp. Even though the FSC-certified status of all the material indicates compliance with such laws, at the interview with the plant manager, they were not fully aware of relevant laws and regulations.</p> <p>In addition, one of the suppliers, Nippon Paper Industries Co., Ltd., has a subsidiary of, Australian Paper, which has a sourcing relationship with VicForests, a company which has been found to be in frequent breach of forest laws in Australia. Nippon Paper has</p>

	<p>submitted a declaration to the company that its dissolving pulp branch does not source from VicForests, but this has yet to be verified.</p>
<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not <b>receive</b> wood from Priority Ancient and Endangered forests, as outlined in the <a href="#">Advice Note</a> and from controversial sources.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The key managers at the Masuda Mill are familiar with the relevant definitions, with its fair understanding displayed at the interview. While the mill has no sourcing activity of wood pulp, they have not identified sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of “ancient and endangered forests”. However, according to the Dissolving Pulp Classification tool, their suppliers do not source from such areas.</p>
<p>4.3 Production mills have conducted assessment on presence of Ancient and Endangered forests, as <i>outlined in the <a href="#">Advice Note</a></i> and other controversial sources in their wood supply areas.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  While the mill has no sourcing activity of wood pulp, they have not identified sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of “ancient and endangered forests”.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as <i>outlined in the <a href="#">Advice Note</a></i> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  In addition, one of the suppliers, Nippon Paper Industries Co., Ltd., has a subsidiary of, Australian Paper, which has a sourcing relationship with VicForests, a company which has been found to be in frequent breach of forest laws in Australia. Nippon Paper has submitted a declaration to the company that</p>



	its dissolving pulp branch does not source from VicForests, but this has yet to be verified.
<p><b>Summary:</b> The mill has no sourcing activity of wood pulp. The FSC-certified status of all the material indicates compliance with such laws. The key managers at the Masuda Mill are familiar with the relevant A&amp;E definition, and the procurement manager at HQ has confirmed the risk of a controversial source according to the Dissolving Pulp Classification tool to be low, except in one case. However, they have not identified sourcing sites at county or FMU level and thus have not identified whether it is meeting the definition of “ancient and endangered forests” in general.</p>	

5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	
Indicators	Findings
<p>5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp. Risk assessment is to be done every year on suppliers with a questionnaire and relevant documents to be submitted for monitoring purpose. While the Canopy policy has been communicated and unofficially agreed on by the suppliers, and its relative SOP defines engagement and withdrawal policy for non-conformance, it is not included in the contracts as requirements and thus the procedures to deal with non-conformance are not secured.</p>
<p><b>Summary:</b> The mill has no sourcing activity of wood pulp. While risk assessment for monitoring, the Canopy policy communication, and its relative SOP with engagement and withdrawal policy for non-conformance are all in place, its compliance is not included in the contracts as requirements and thus the procedures to deal with non-conformance are not secured.</p>	

## Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

### Recommendations for Daiwabo Rayon for continuous improvement

November 2022

Canopy applauds Daiwabo Rayon for embarking on its first CanopyStyle audit. The report concludes the company is at low risk for all suppliers, except one which required further verification. In addition, the company has designated significant resources, and developed procedures, to implement its policy.

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

1. Include policy requirements in contracts with suppliers and develop a procedure for engaging with supplier and withdrawing contracts when non-conformances are found.
2. Work with suppliers to ensure they have commitments in place to respect the Free, Prior and Informed Consent (FPIC) of Indigenous and traditional forest peoples.
3. Develop procedures to withdraw contracts if non-conformances are found with suppliers.
4. Confirm risk levels for Nippon Paper through a verification audit within 6 months.
5. Develop an action plan to increase the use of FSC fibre, with particular attention to FSC 100%.

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

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

Once again, we commend Daiwabo Rayon on the timely completion of their CanopyStyle audit. We look forward to working collaboratively with Daiwabo to address any outstanding issues.