



CanopyStyle Audit Report

for Yibin Grace Group Co., Ltd.

Annual audit 2020

Evaluation date: 11th November 2020

Report date: 23 February 2021

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 *Yibin Grace Group CO., Ltd.* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 2021 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 300 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

The audit presents the findings of Preferred by Nature auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy's map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk, as well as further guidance document such as the Dissolving Pulp Classification Tool and the Advice Note on Ancient and Endangered Forests⁴.

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

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

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

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

1. GENERAL DESCRIPTION

1.1 Company overview

Yibin Grace Group Co., Ltd was established in 1984 initially producing viscose rayon filament yarn, now forming into a comprehensive industry group, including textile, real estate, energy, alcohols, food materials & additives, investment and trade.

The company holds the certificates of ISO 9001:2015 quality and ISO 14001:2015 Environment Management System and Swiss OEKO-TEX Standard 100 & STeP.

Pulp purchases for the viscose mills are made centrally at its headquarters in Yibin city, Sichuan province, China.

1.2 Company scope (sites, locations, etc)

In the viscose division of Yibin Grace Group, there are 3 mills for viscose production: 2 located in the same industry area in Yibin city of Sichuan province and 1 in Chengdu city of Sichuan province. The group office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for all 3 mills in Yibin and Chengdu.

1.3 Company sourcing policy

The organization published their *Fibre Procurement Policy for Protecting Forests*, effective 20 August 2018, and committed to

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

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input type="checkbox"/> Single	<input checked="" type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:		
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments:
Mill Capacity:	About 405,000 ton/year, including: <ul style="list-style-type: none"> - 100,000 tons viscose staple fibre in the mill in Chengdu (entity name: Chengdu Grace Fibre Co., Ltd); - 260,000 tons viscose staple fibre in the mill in Yibin (entity name: Yibin Grace Co., Ltd) - 45,000 tons rayon filament yarn in the mill in Yibin (entity name: Yibin Hiest Fibre Limited Corporation) 	
Primary Activity:	Viscose rayon filament yarn, Viscose staple fibre	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	

	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male:	Permanent female:
	Contract male:	Contract female:
	TOTAL:	4,000

Sites within evaluation scope	Location	Audited
YIBIN GRACE GROUP CO., LTD. (Corporate office)	HANGTIAN ROAD, NAN'AN ECONOMIC & TECHNOLOGICAL DEVELOPMENT ZONE, YIBIN CITY, SICHUAN, CHINA	<input checked="" type="checkbox"/>
Yibin Hiest Fibre Limited Corporation	Yanpingbai, Nanguang town, Yibin city, Sichuan province, China	<input type="checkbox"/>
Yibin Grace Co., Ltd	Yanpingbai, Nanguang town, Yibin city, Sichuan province, China	<input checked="" type="checkbox"/>
Chengdu Grace Fibre Co., Ltd	Dawan town, Qingbaijinag district, Chengdu city, Sichuan province, China	<input checked="" type="checkbox"/>

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Gaojun Zhao (corporate audit)	Responsible Sourcing Specialist; qualified CanopyStyle, LegalSource and FSC FM/CoC Lead Auditor; Majored in forestry management and has 12 years of experience in the fields of Forest Management, Timber Legality Verification and FM/COC certification.
Xinxin Zhang (short notice audits)	Xinxin is a qualified FSC FM lead auditor and FSC CoC auditor , had been working on FSC certification, forest legality verifications, supply chain traceability and responsible sourcing, and high conservation values forests protections in China for more than 15 years. Before joining PBN, Xinxin worked for RA as China country rep, WWF China as a senior forest programme officer, the IKEA China as a forest specialist, China Academy of Forestry as a researcher. Xinxin graduated with master degrees on natural resources and forest management from Goettingen university in Germany and Beijing forest university in China.

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
YIBIN GRACE GROUP CO., LTD. (Corporate office)	11 th November 2020	8
Yibin Grace Co., Ltd.	10 June 2021	8
Chengdu Grace Fiber Company	11 June 2021	5

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

3.3 Description of Overall Audit Process

Corporate Audit - An audit plan was shared with and agreed by the Company before the onsite visit. The company provides some documents for pre-review by auditor, such as company introduction, organization structure, supplier list, purchase procedures, etc.

On 11th November, the audit started with an opening meeting with the presence of top management and the key staff in all departments. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. The vice general manager of Yibin Grace Group gave a brief introduction of the Company and operation activities and the effort made on Canopy sourcing policy.

Following the opening meeting, the auditor interviewed the management team regarding action plan and operations with Canopy policy commitment, including Company structure, Canopy commitment, staff awareness, purchase policy, supplier management procedure, research of alternative Fibre, environment protection, etc.

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

Then, the auditor interviewed the staff from various departments: procurement, production, warehouse, sales, finance, etc.

Lastly the closing meeting was held at the office with the presence of the management including the vice general manager. During the meeting the main findings were presented and explained to the Company.

Yibin Grace Mill Site - Yibin Grace's Yibin Mill is in Yinbin City, Sichuan Province of China. Because it is a short-notice audit, an audit plan was shared with Yinbin mill one day before the onsite audit. The auditor started the onsite audit at 9am on June 10; after a brief opening meeting explaining the purpose of the audit and audit arrangement, the auditor review documents and carried out staff interviews at 9:30-12:00 am, in the afternoon, the auditor visited Yinbin mill production sites, warehouse, alternative fiber production sites and interviewed workers at 13:00-16:00, then organized a close meeting at 16:00-16:30.

Chengdu Site - The site is Yibin Grace's Mill in Chengdu City, Sichuan Province of China. Because it is a short-notice audit, an audit plan was shared with Chengdu mill one day before the onsite audit. The auditor started the onsite audit at 9am on June 11; after a brief opening meeting explaining the purpose of the audit and audit arrangement, the auditor review documents and carried out staff interviews and onsite inspection at 9:30-12:30 am, then organized a close meeting at 12:30.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive findings:

The Company has developed and published a sourcing policy in line with CanopyStyle initiative. Further, the company developed an action plan to implement the policy. The company has developed capacity to implement the policy with staff assigned and trained. The management staff confirmed that the Leaders Group and other stakeholders are welcome to join the verification process.

The Canopy sourcing policy has been communicated to the publicly disclosed suppliers. These suppliers have signed a commitment letter to comply with the company's policy.

The purchase department has collected information from publicly disclosed suppliers and conducted risk assessment and shared with Canopy.

The company holds FSC CoC certificate. Many suppliers hold either FSC or PEFC certificate and 76.6% of the pulp purchased from October 2018 to September 2020 is FSC certified.

The Company has been researching a clean technology using new solvent to make viscose in collaboration with universities. Also, the Company is using leading technologies to recycle the materials from the wastes, reduce the water & energy consumption and reduce the GHG emission.

Areas for improvement:

The Company has a due diligence system that collects and assesses information, but it was discovered during the short notice audits that not all suppliers were disclosed or included in the company due diligence system (Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing). Juntai, Phoenix and Mondi are suppliers that were identified in the first audit as having potential risk, and during the corporate office were incorrectly declared to have been terminated as suppliers. Tembec, Ilim and Yunjing are new undeclared suppliers.

It is important to note the current DDS has weaknesses:

- The DDS does not cover 6 suppliers (Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing)
- It is not defined clearly in the procedures what evidence shall be provided by the supplier, how evaluate the supplier's performance against sourcing policy, what records should be maintained, etc.
- The Company has not 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, especially for non-certified pulp (no certification claim on the purchase invoices)
- Requirements to implement the policy is recommended to be included in the agreements/contracts with suppliers.
- The internal risk assessment was conducted in 2018 (before initial audit) by the organization but has not been updated annually.
- The Company sources from many forest management units that are plantations, and information has been requested on the establishment date of these plantations, but not much information has been received.
- More information/evidence is required to demonstrate the source has been verified. For example, the forest level information can be collected to verify origin.

Due to these weaknesses, there are some discrepancies in risk designation by the company vs. the Canopy dissolving pulp classification tool:

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Rayonier (USA)	Low risk	Local risk mitigated through supplier action.
AustroCel Hallein	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Caima		No sourcing issues identified based on current information and/or CanopyStyle audit.
CMPC	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit. Brazil is currently capturing international attention due to the erosion of its National Forest Code, and other environmental regulations.
Arauco	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit. It has been documented that several Mapuche communities in Chile have been in conflict with forestry companies over logging and plantations on their customary lands. It is unclear whether these issues have been resolved between the Mapuche and Arauco.
Cenibra/Nipo Brasilaria	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit. Brazil is currently capturing international attention due to the erosion of its National Forest Code, and other environmental regulations.

Juntai	Not assessed or disclosed	No information available. Risk may be present.
Phoenix/Siam Thailand	Not assessed or disclosed	In a region that contains IFL and where deforestation is a threat. Further sourcing information and/or auditing required.
Yunjing	Not assessed or disclosed	Not assessed
Tembec (Rayonier Temiscaming)	Not assessed or disclosed	In a region containing Ancient and Endangered forests and IFLs. Further sourcing information and/or auditing required.
Mondi	Not assessed or disclosed	Not assessed
Ilim	Not assessed or disclosed	Not assessed

Based on the Canopy dissolving pulp classification tool, all 6 suppliers have no identified sourcing issues regarding ancient and endangered forests. However, for three suppliers (Cenibra/Nipo Brasileira, Arauco and CMPC) social risks have been identified.

The company's risk assessment does not identify these social risks nor any known legal risks (note FSC NRA for Brazil) as potential controversial sources, and the company does not source all materials from these three suppliers as FSC certified to mitigate the risk (particularly the materials sourced from Cenibra/Nipo-Brasileira).

Note: Details findings please see appendix.

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

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 publically 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	Commitment in Progress

	the Policy. These are available upon request to stakeholders. **	
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	Commitment Met
	1.4 The MMCF producer has developed capacity and Companyal 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 in Progress
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Commitment Not Met
	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 in Progress
	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 in Progress
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **	Commitment in Progress
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	Commitment Not Met
	2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	Commitment Not Met
	2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	Commitment Not Met
	2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	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 Met

	4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	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. **	Not Applicable
	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 Met
	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 and then re-evaluate its relationship with them	5.1 All MMCF producers’ suppliers are identified and the forest of origin is known. **	Commitment Not Met
	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. **	Commitment in Progress
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	Not Applicable
	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, 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 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. **	Not Applicable

	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	Not Applicable
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The 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. **	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 in Progress
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	Commitment Met
	7.4 The MMCF producer and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers	Commitment Met
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	Commitment in Progress
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	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 in Progress
	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 in Progress
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 in Progress
	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 areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	Commitment Not Met
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance	Commitment Not Met

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

4.3 Volume Summaries⁵

Reporting period: from 1st October 2018 to 30 September 2020

Category	Explanation	Volume (tons)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	
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	538,000	76.6%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	
Non-FSC	Material received with no FSC claim.	164,500	23.4%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	
	Total	702,500	100%

⁵ The volume summary is provided by the organization.

Appendix A: STANDARD CHECKLIST (CanopyStyle Verification Framework – Corporate Sourcing)

1. Evaluation of Site: Yibin Grace Group Co., Ltd.

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Xiaojun Cheng
Auditor(s):	Gaojun Zhao
People Interviewed, Titles:	<ul style="list-style-type: none"> - Mr. Song Wei, Vice general manager - Mr. Wen Xuejin, import manager; - Mr. Xiaojun Cheng, international business; - Mr. Zhang Guangwen, export manager, - Chen Xiangdong, Technique and environment division; - Chen Yongjun, general manager of Yibin Hiest - Xia Changlin, production, Yibin Hiest - Zhang Zhihong, deputy manager of production plan and QA; - Hu Xiaodong, GM assistant of Yibin Grace; - Chen Fuming, production manager of Yibin Grace - Liu Huaichun, production - Liu Qiang, import and export; - Huang Lihong, export supervisor; - Wu Bo, export; - Cheng Lingying, customer service; - Li Daibin, pulp warehouse manager; - Liu Yuxia, pulp warehouse; - Liu Juan, pulp warehouse; - Zhong Wei, 2nd viscose making workshop; - Chen Shanhui, worker; - Zhang Dingqiong, viscose fiber warehouse; - Liu Hong, Alkali recycling workshop; - Tang Jin, Alkali recycling workshop; - Wang Hui, Corporate culture manager - Wang Yuan, Corporate culture; - Xu Hengyu, Corporate culture; - Wang Mengzhuo, HR - Wen Lifang, Finance manager; - Mou Hong, finance staff; - Lixian Qing, finance staff; - Dai Shanshan, finance staff.
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress

	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective 20 Aug 2018). The policy was signed by president of Yibin Grace Group and was posted on the website: https://www.cn-grace.com/Uploadfiles/Files/2020-9-10/2020910189252026.pdf</p> <p>The interview of deputy general manager and other senior management staff confirmed they were aware of the definition of ancient and endangered forests and other controversial sources and were fully committed to implement the policy.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company developed an action plan to implement of the fibre sourcing policy. Accepting external auditing is one of the actions and after the audit, continuous improvements will be required according to the action plan.</p> <p>The Company included fibre source policy requirements in the Sourcing and Supplier Control Procedure (GF/QB-2017-11), which requires the supplier evaluation against the fibre sourcing policy before purchasing that the pulp cannot originate from Ancient and Endangered Forests and controversial source. However, it's not defined clearly in the procedure what evidence shall be provided by the supplier, how evaluate the supplier's performance against sourcing policy, what records should be maintained, etc.</p> <p>Interview of the contact person, Mr. Xiaojun Cheng, confirmed they can share their action plan upon request from stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding:</p> <p>The purchasing managers are assigned and responsible for the implementation of the policy. The responsibility of implementing the policy is in the position TOR and annual KPI checking list. The interview of the purchase manager/import director and staff responsible for fibre sourcing overseas (Mr. Wen Xuejin, Mr. Xiaojun Cheng, Ms. Wang Run) confirmed he's fully aware the policy and his responsibilities.</p> <p>Purchasing managers signed a commitment letter of implementing policy in August 2018.</p>
<p>1.4 The MMCF producer has developed capacity and Company structure to implement the Policy.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organizational structure for implementation of policy is shared with the auditor. The departments/branches involved in the implementation of the policy are defined, such as Environment Protection Department in charge of pollution prevention, R&D in charge of new technology development, import/export branch in charge of supplier management and policy implementation.</p> <p>At the time of this audit, the management team members were interviewed who were aware of their responsibility related to canopy sourcing.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>In 2018, Organization notified all key suppliers the commitments via emails. Emails were shared with auditor for review.</p> <p>Additionally, all 6 valid suppliers (except Austrocel Hallein GmbH) signed a commitment letter as requested by the organization in January 2019, including: CMPC, Arauco, Rayonier, Hallein, Celulose Nipo-Brasileira and Caima. Austrocel Hallein is low risk according Canopy dissolving pulp mill classification.</p> <p>However, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Rayonier, Ilim and Yunjing. The corporate auditor</p>

	<p>did not evaluate if this requirement had been met, since those suppliers were not disclosed. The indicator is therefore graded as "Commitment in Progress".</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Requirements to implement the policy have not been included in the agreement and contract used at the time of the audit. However, the organization requested the suppliers to sign a commitment letter to comply with the organization's Canopy sourcing policy.</p> <p>However, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. The corporate auditor did evaluate if this requirement had been met, since those suppliers were not disclosed. The indicator is therefore graded as "Commitment in Progress". See related findings in Appendices B and C, Viscose Mill Checklists.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization included fibre source policy requirements in the Sourcing and Supplier Control Procedure (GF/QB-2017-11), which requires the supplier evaluation against the fibre sourcing policy before purchasing that the pulp can not originate from Ancient and Endangered Forests and controversial source. If the suppliers are FSC certified, the HCV report and CoC risk analysis shall be additionally checked.</p> <p>However, it's not defined clearly in the procedure how monitor the supplier's performance against sourcing policy, including monitoring frequency, evaluation requirements, records to be maintained, etc.</p> <p>Note: Checking if suppliers are FSC certified is not sufficient to monitor supplier conformance according to the CanopyStyle framework requirements.</p>

<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has developed a grievance procedure. Also, the company is FSC certified which also requires a complaint procedure.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: No complaints have been received since first audit in January 2019. The Company developed and is implementing an action plan that address non-conformance identified in first audit, such as training, publish supplier list, stop sourcing from high-risk suppliers, request all supplier get FSC or PEFC certified, sourcing certified pulp, etc. However, not all non-conformances have been addressed till this audit, including (but not limited to): the company has not included requirements to implement the Policy in agreements/contracts with current and future suppliers; the risk assessment procedure is not robust; supplier performance monitoring procedure is not in place.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: In August 2020, the organization conducted trainings on the policy and Canopy requirements since initial audit. Training records were provided for auditor review. The interviews to all staff in corporate office demonstrated they are fully aware the policy and were able to explain to the auditor how they should implement the policy.</p>

<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Please refer to 1.2</p>
<p>Summary:</p> <p>The Company has developed a fibre sourcing policy with supporting procedures for implementation of Canopy requirements and conducted training. The sourcing policy is made available on the company's website and communicated to the suppliers. The purchasing managers are assigned and responsible for the implementation of the policy.</p> <p>At the time of this audit, the Canopy requirements are not included in the contract with suppliers.</p> <p>The company included fibre source policy requirements in the Sourcing and Supplier Control Procedure (GF/QB-2017-11), which requires the supplier evaluation against the fibre sourcing policy before purchasing that the pulp can not originate from Ancient and Endangered Forests and controversial source. However, it's not defined clearly in the procedure how monitor the supplier's performance against sourcing policy, including monitoring frequency, evaluation requirements, records to be maintained, etc.</p> <p>Additionally, during the short notice audits, the auditor found that Yibin Grace continues to source from 3 suppliers from their first audit, despite declaring that sourcing had ceased: Juntai, Phoenix and Mondi. Additionally, the Company sources from three new suppliers, Tembec, Yunjing and Ilim, that were not disclosed during this corporate audit. Since these suppliers were not disclosed, the auditor was unable to evaluate conformance to all the indicators above, during the corporate audit.</p> <p>The company conducted trainings on the policy and Canopy requirements since initial audit. interviews to all staff in corporate office demonstrated they are fully aware the policy.</p>	

<p>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy</p>	
<p>Indicators</p>	<p>Findings</p>
<p>2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company provided the supplier information form with internal risk assessment conclusion which concluded that for all 6 existing suppliers (CMPC, Arauco, Hallein, Rayonier, Celulose Nipo-Brasileira, Caima) the risk is low that the fiber input sourced from ancient and endangered forests or other controversial areas.</p> <p>However, the company's assessment mainly focused on if the supplier is FSC certified. The risk assessment is incomplete, since no indicator and concrete method was adopted on identification of ancient and endangered forests.</p>

	<p>Neither the Forest Mapper or the DP Classification Tool.</p> <p>Additionally, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing, that were not disclosed during this corporate audit. An assessment of these supplier's supply chains has not been conducted.</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organizations identified all 6 pulp mills in the supply chains, including: Austrocel Hallein GmbH, CMPC, Arauco, Tembec, Hallein, Celulose Nipo-Brasileira and Caima.</p> <p>However, based on the supplier information form the origin of wood fiber can be traced only to the country level. The forest or plantation of origin is unknown.</p> <p>Additionally, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. Not all suppliers in the chain of mills that supply the MMCF mills were identified, therefore, this indicator is therefore graded as "Commitment not met".</p>
<p>2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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>Description of the finding: The internal risk assessment was conducted in 2018 (before initial audit) by the organization, however it's not updated annually.</p>
<p>2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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>Description of the finding:</p> <p>The organization included fibre source policy requirements in the Sourcing and Supplier Control Procedure (GF/QB-2017-11), which requires the supplier evaluation against the fibre sourcing policy before purchasing that the pulp cannot originate from Ancient and Endangered Forests and controversial source. If the suppliers are FSC certified, the HCV report and CoC risk analysis shall be additionally checked.</p> <p>However, the company has not 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>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>At the time of this audit, the supplier list was published on its website: https://www.cn-grace.com/Uploadfiles/Files/2020-9-27/20209271439563540.pdf</p> <p>However, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing, that were not published on this list linked above. Since not all suppliers were included on the publicly available list, the indicator is graded as "Commitment in Progress".</p>
<p>Summary:</p> <p>The company collected the supply chain information, conducted the risk assessment and published a supplier list of most of their suppliers on their website.</p> <p>The company provided the supplier information form with internal risk assessment conclusion which concluded that for all 6 existing suppliers (CMPC, Arauco, Hallein, Rayonier, Celulose Nipo-Brasileira, Caima and) the risk is low that the fiber input sourced from ancient and endangered forests or other controversial areas. However, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. these suppliers were not disclosed during this corporate audit.</p> <p>The internal risk assessment was conducted in 2018 and not updated annually.</p> <p>The company has not 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>	

3. No conversion of natural forest to plantations	
Indicators	Findings

3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**

Conformance with Indicator:

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

Description of the finding:

The company requested suppliers to disclose the plantation establishment date, however, no supporting documents were requested to confirm the declared dates. Also, the dates collected from 3 suppliers noted the plantation was established post 1994: Arauco 2001, Celulose Nipo-Brasileira 2005, Caima 2003. However, only the pulp purchased from Arauco is FSC Mix Credit certified.

Note: FSC claims other than FSC 100% are not evidence to meet this requirement. The FSC controlled wood standards do not prohibit materials from plantations converted post 1994.

During the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. According to the Dissolving Pulp Classification Tool, not enough information is available for Juntai's supply chain; and there exists risk of deforestation in Phoenix Thailand's and Tembec's supply chains.

Summary: same as the findings above.

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

Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>The organization's policies and procedures adopt the same definitions of ancient & endangered forests, intact forests, and controversial sources as the CanopyStyle framework.</p>
<p>4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress

<p>Canopy, with permission to share Leaders Group.**</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company traced the origins of the wood fiber to only country level, including:</p> <ul style="list-style-type: none"> - Austria (pulp mill: Austracel Hallein) - USA (pulp mill: Rayonier Advanced Materials) - Brazil (pulp mill: CMPC pulp) - Chile (pulp mill: Celulosa Arauco y Constitución S. A) - Brazil (pulp mill: Celulose Nipo-Brasileira S.A) - Portugal (pulp mill: Caima Industriai DE Celulosa.S.A) <p>Only the map of the plantations used by the pulp mill Celulosa Arauco y Constitución S. A is provided, but the company did not identify and map the wood fiber source for other pulp mills.</p> <p>Based on the Canopy dissolving pulp classification tool, all 6 suppliers have no identified sourcing issues regarding ancient and endangered forests. However, for three suppliers (Cenibra/Nipo Brasileira, Arauco and CMPC) social risks have been identified.</p> <p>The company's risk assessment does not identify these social risks nor any known legal risks (note FSC NRA for Brazil) as potential controversial sources, and the company does not source all materials from these three suppliers as FSC certified to mitigate the risk (particularly the materials sourced from Cenibra/Nipo-Brasileira).</p> <p>During the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. According to the Dissolving Pulp Classification Tool, the suppliers Phoenix and Tembec have potential risk related to sourcing from Ancient and Endangered forests.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organization made the commitment and published a sustainable fibre sourcing policy effective on Aug 20, 2018. There is no assessment to identify if there are any materials originating from ancient & endangered forests or</p>

	controversial sources before the policy was developed.
4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The interviews with vice general manager of Yibin Grace Group and other management staff in different entities and divisions confirmed they were aware all relevant laws and regulations. There is no news and info disclosed that the organize is non-compliance with national and international laws. The organization approved the ISO9001:2000 standard quality system, ISO14001:2004 Environment Management System.</p>
4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization developed a supplier risk assessment procedure and assigned four (4) staff in charge of monitor supplier conformance against the sourcing policy. The company sources from mills that have no known sourcing issues related to Ancient and Endangered Forests for the declared suppliers, according to the Dissolving Pulp Classification tool. However, there may be risk related to social issues and legality. Not all the fibre is accompanied by FSC claim, which could mitigate some of these risks. Additionally, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. Supplier conformance was not determined for these suppliers.</p>
<p>Summary: The company's policy and procedures adopt the same definitions of ancient & endangered forests, intact forests, and controversial sources as the CanopyStyle framework. The company traced the origins of the wood fiber to only country level. Only the map of the plantations used by the pulp mill Celulosa Arauco y Constitución S. A is provided, but the company did not identify and map the wood fiber source for other pulp mills.</p>	

After learning risks for controversial fibre, the organization terminated their sourcing from Jari and TPL.

The organization developed a supplier risk assessment procedure and assigned four (4) staff in charge of monitor supplier conformance against the sourcing policy.

The company sources from mills that have no known sourcing issues related to Ancient and Endangered Forests according to the Dissolving Pulp Classification tool. However, there may be risk related to social issues and legality. Not all the is fibre is accompanied by FSC claim, which could mitigate some of these risks.

However, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. According to the Dissolving Pulp Classification Tool, there is potential risk of these supplies sourcing from Ancient and Endangered Forests or controversial sources for some of these suppliers. Additionally, supplier conformance was not monitored for these suppliers.

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>Conformance with Indicator:</p> <p><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>Description of the finding:</p> <p>Not all dissolving pulp mills are identified. during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing.</p> <p>The forest map from for the supplier Celulosa Arauco y Constitución was provided. The forest of origin for other 5 suppliers was known only at country level, although they have no sourcing issues identified based on the Canopy dissolving pulp classification tool (based on current information and/or CanopyStyle audit).</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organization included fibre source policy requirements in the Sourcing and Supplier Control Procedure (GF/QB-2017-11), which requires the supplier evaluation against the fibre sourcing policy before purchasing that the pulp</p>

	<p>can not originate from Ancient and Endangered Forests and controversial source.</p> <p>According to the action plan for Canopy sourcing policy, if the non-conformance is found for a supplier against the policy, the company will request the supplier to take mitigation immediately. The purchasing will be terminated if the suppliers can not take corrective actions. However, the timeframe for the supplier to take actions is not defined.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>After learning risks for controversial fibre, the organization terminated their sourcing from Jari and TPL.</p> <p>The auditor checked the internal supplier management system and warehouse bookkeeping and found no new purchase from Jari and TPL since the termination date.</p> <p>The company reported having suspended or terminated sourcing from several suppliers since first audit, including Juntai, Mondi (trial material), Lenzing (trial material), Phoenix (trial material), for the purpose of simplifying their supply chains as well as reducing potential non-conformance raised in CanopyStyle audit. However, during the short notice audits, the auditor found that Yibin Grace continues to source from 3 suppliers from their first audit (Juntai, Phoenix and Mondi).</p>
<p>Summary:</p> <p>Half of the dissolving pulp mills are identified. The forest map from for the supplier Celulosa Arauco y Constitución was provided. The forest of origin for other 5 suppliers was known only at country level. According to the action plan for Canopy sourcing policy, the purchasing will be terminated if the suppliers can't take corrective actions to the non-conformance found for a supplier against the policy. However, the timeframe for the supplier to take actions is not defined. The company documented withdrawals from supply agreements with Jari and TPL where non-conformance has been found. However, during the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing.</p>	

<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</p>	
<p>Indicators</p>	<p>Findings</p>
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>Interviews with vice general manager and other management staff confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. No requests have been made to date so this indicator is being marked as N/A.</p>
<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>N/A – since last audit, none of suppliers has been confirmed the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, though the suppliers CMPC Pulp S.A, Celulosa Arauco y Constitución S. A and Celulose Nipo-Brasileira S.A require additional information on sourcing to achieve a concrete risk conclusion. Therefore, the company has not required its suppliers to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>Same as above</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>Same as above</p>

6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**

Conformance with Indicator:

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

Description of the finding:

Same as above

Summary:

Interviews with vice general manager and other management staff confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.

Since last audit, none of suppliers has been confirmed the wood fiber originated from the areas with high risk of ancient and endangered forests and controversial sources, though the suppliers CMPC Pulp S.A, Celulosa Arauco y Constitución S. A and Celulose Nipo-Brasileira S.A require additional information on sourcing to achieve a concrete risk conclusion.

7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.

Indicators	Findings
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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.**

Conformance with Indicator:

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

Description of the finding:

Implement FPIC of indigenous people and local communities are included in the organization's policy (<https://www.cn-grace.com/Uploadfiles/Files/2020-9-10/2020910189252026.pdf>). It's been communicated to all suppliers via email and phone. All suppliers (except Hallein) signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.

The company holds FSC certificate of NC-COC-052139. All suppliers except Austrocel Hallein hold FSC certificate (terminated on 23Oct2019) and Austrocel Hallein now holds PEFC certificate. It means they should have similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities, as PEFC in Austria requires this.

During the short notice audits, the auditor found that Yibin Grace sources from 2 suppliers from their first audit (Juntai and Phoenix) and one new supplier (Yunjing) that were not disclosed in the

	<p>corporate audit. The Company has not provided evidence that these suppliers meet this requirement.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: All suppliers, except 1 hold FSC certification which could provide a high level of guarantee of the conformance to this indicator. FSC requires companies to document their commitments to these rights via the policy for association. PEFC does not have such requirements and one supplier holds only PEFC certification.</p> <p>Holding certification alone is not sufficient to document this commitment, such as sourcing materials with certified claims. This indicator is therefore graded as in progress.</p> <p>During the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. The Company has not provided evidence that these suppliers meet this requirement.</p>
<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company holds FSC certificate of NC-COC-052139. At the time of this audit, no evidence found the company received a complaint related to its pulp sourcing.</p> <p>All suppliers except Austrocel Hallein (terminated on 23Oct2019) hold FSC certificate which could provide a high level of guarantee of the conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope.</p> <p>Austrocel Hallein holds PEFC certificate which also requires a complaints mechanism and resolution.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union and H&S team. During audit, interviews of workers showed their rights are respected. The company holds a valid certificate of OEKO-TEX Standard. All suppliers hold FSC or PEFC certification, which could provide a high level of confidence that the workers' rights are recognized and respected, as COC certified Companies are required to do this.
7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The company developed "Commitment letter" to comply with its Canopy sourcing policy which all suppliers except Austrocel Hallein signed. All suppliers are FSC or PEFC certified companies, which could provide a high level of confidence that ILO is upheld via certification requirements. The company is requesting the supplier AustroCel Hallein to apply for FSC certificate. However, for non-certified supply it is unknown if the suppliers require the equivalent of their own suppliers to uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work. During the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. The Company has not provided evidence that these suppliers meet this requirement.
7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding:

	<p>Recognition and respect for human right is included in the Company's policy. Within the Company, there is a labor union which actively engages in the management of the Company.</p> <p>The Company and all suppliers are FSC or PEFC certified companies which could provide a high level of confidence that human rights is recognized and respected via certification requirements. However, there are some gaps in the PEFC system as noted in findings above, and Hallein did not complete the signing of the commitment letter.</p> <p>No evidence was found of the company avoiding or failing to resolve social conflicts and remedy past or current human rights violations.</p> <p>Note: for 4 suppliers (Austrocel Hallein GmbH, Rayonier Advanced Materials, Celulose Nipo-Brasileira and Caima are) materials are not being received with certification claims.</p> <p>During the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers: Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing. The Company has not provided evidence that these suppliers meet this requirement.</p>
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Summary:

Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. Most of suppliers have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.

All suppliers are FSC or PEFC certified companies 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. The Company does hold FSC certification. During the period of 1st October 2018 to 30th September 2020, 76.6% (538,000 tons) of the pulp purchased is with FSC Mix Credit claim, which can provide a level of confidence that these commitments are met.

During the short notice audits, the auditor found that Yibin Grace sources from 6 undisclosed suppliers. Juntai, Phoenix and Mondi are suppliers that were identified in the first audit as having potential risk, and during the corporate office were incorrectly declared to have been terminated as suppliers. Tembec, Ilim and Yunjing are new undeclared suppliers. The Company has not provided evidence that these suppliers meet requirements above.

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 that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company is not implementing a plan to explore and encourage the development of new alternative fibre sources, such as agricultural residues and recycled fibres.</p>

	<p>Update from the short notice audit in June 2021: the organization started testing the recycled pulp for viscose production and Renewcell. The auditor visited the testing production line, interviewed the engineer, learned the organization had completed the first round trial production and ran the second trial. Auditor also interviewed the vice-general manager of the organization. The organization made a strong commitment and is taking action to collaborate with Renewcell to explore and encourage new alternative fiber sources that reduce environmental and social impacts.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: N/A, please refer to indicator 8.1. Update from the short notice audit in June 2021: the organization started testing the recycled pulp for viscose production and Renewcell. The auditor visited the testing production line, interviewed the engineer, learned the organization had completed the first round trial production and ran the second trial. Auditor also interviewed the vice-general manager of the organization. The organization made a strong commitment and is taking action to collaborate with Renewcell to explore and encourage new alternative fiber sources that reduce environmental and social impacts.</p>
<p>Summary: The Company is not implementing a plan to explore and encourage the development of new alternative fibre sources, such as agricultural residues and recycled fibres.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company actively engaged with Canopy, participated in the CanopyStyle brand and producer summit in Shanghai in 2019, and</p>

	accepted third party verification against Canopy framework and guideline voluntarily.
9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: In the past, when prompted, the company has supported conservation initiatives in key landscapes. Canopy confirms that the company wrote letters of support for conservation in BC and Indonesia.</p>
9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company has not provided support for conservation solutions or programme.</p>
9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The MMCF producer has not developed and been implementing specific programs to increase the endangered species population and the maintenance of their habitat through time. The Company does not have ownership connections with their suppliers; therefore this requirement is not applicable.</p>
<p>Summary: The company has supported initiatives to promote the conservation of ancient and endangered forests, as well as signalled support for scaling up next generation solutions. However it has not yet made a public statement about the need for large scale conservation.</p>	

10. Responsible forest management	
Indicators	Findings
10.1 The MMCF producer has defined criteria for responsible forest management, gives a	Conformance with Indicator:

<p>preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The Canopy action plan stated the Company will only purchase pulp from FSC certified suppliers. Management interviews confirmed the company gives preference to purchase FSC certified pulp. From 1st October 2018 to 30 September 2020, 76.6% (538,000 tons) of the pulp purchased is with FSC Mix Credit claim.</p>
<p>Summary: same as the findings above.</p>	

11. Reduction of Greenhouse Gas (GHG) Footprint by Recognizing the importance of forests and peatlands as carbon storehouses	
Indicators	Findings
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <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>Description of the finding: The Company's sourcing policy states they give preference to the suppliers that use effective strategies to actively reduce their greenhouse gas footprint. However, it has no procedure or requirement to evaluate supplier's performance in reducing GHG. Also, at the time of this audit, the company did not provide the information or documented evidence from the suppliers on their efforts to reduce GHG.</p>
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p>Conformance with Indicator:</p> <p> <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>Description of the finding: The Company has no such procedure.</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</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met </p>

<p>from and are restoring peatlands and their hydrology. **</p>	<p> <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The Company gives preference to purchase FSC certified pulp, however, it has not documented 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. Additionally, during the short notice audits, the auditor observed that the Company was sourcing from 6 undisclosed suppliers.</p>
<p>Summary: The company has no procedure or requirement to evaluate supplier's performance in reducing GHG, nor provide the information or documented evidence from the suppliers on their efforts to reduce GHG. It has not documented 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. However, currently the company is not sourcing from any of these areas.</p>	

12. Pollution Prevention	
Indicators	Findings
<p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<p>Conformance with Indicator:</p> <p> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: Since 2017 the Company has been researching a clean solvent technology to make viscose in collaboration with Sichuan University and Wuhan University, similar to Lyocell technology.</p> <p>The company is using a unique clean technology to recycle H₂SO₄ and NaOH from the wasted waster containing Na₂SO₄ with a small quantity of hydrogen and oxygen. Further, it consumes much less electricity. It reduces 44,000 tons Na₂SO₄ emission and recycles 25,000 tons NaOH and 21,000 tons H₂SO₄.</p> <p>It also uses several other technologies to improve the energy efficiency, dispose the wasted water and gas and reduce the air and water emission, e.g. active carbon to absorb wasted H₂S and CS₂, extract Xylan from the wasted water.</p> <p>This indicator is being graded as N/A as it will be removed from the CanopyStyle Framework.</p>

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** Indicates Critical Indicators

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

1. Evaluation of Site: Yibin Grace Co., Ltd

Primary Responsible Person: (Responsible for control system at site(s))	Cheng Xiaojun
Auditor(s):	Zhang Xinxin
People Interviewed, Titles:	<ul style="list-style-type: none"> - Song Wei, Vice general manager of Yibin Grace Corporate - Wen Xuejin, import manager of Yibin Grace Corporate. - Cheng Xiaojun, international business of Yibin Grace Corporate. - Chen Mingjia, manager of Yibin Mill - Zhang Zhihong, deputy manager and QA of Yibin Mill; - Li Daibin, pulp warehouse manager of Yibin Mill; - Liu Juan, pulp warehouse of Yibin Mill; - LiaoTinggao, recycled fibre production engineer
Brief Overview of Audit Process for this Location:	Yibin Grace's Yibin Mill is in Yinbin City, Sichuan Province of China. Because it is a short-notice audit, an audit plan was shared with Yinbin mill one day before the onsite audit. The auditor started the onsite audit at 9am on June 10; after a brief opening meeting explaining the purpose of the audit and audit arrangement, the auditor review documents and carried out staff interviews at 9:30-12:00 am, in the afternoon, the auditor visited Yinbin mill production sites, warehouse, alternative fiber production sites and interviewed workers at 13:00-16:00, then organized a close meeting at 16:00-16:30.
Comments:	Yibin Mill's raw material purchases and sales are managed directly by the import/export division of Yibin Grace corporate office. The mill has no staff responsible for pulp sourcing and supplier management, all done by the corporate office directly for the mill. Therefore, there are several indicators not applicable to the mill level.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and	Conformance with Indicator: <input type="checkbox"/> Not Applicable

<p>demonstrate a similar commitment to implement it.**</p>	<p><input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Interviews with two key managers of the mill demonstrated that they are aware of Yibin Grace's corporate policy and explained to the auditor how they should implement the policy and confirmed they joined the training on Canopystyle framework requirements and ancient and endangered forests Aug 2020.</p>
<p>1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill implements the policy and follows the corporate procedure. The mill does not develop a separate procedure.</p>
<p>Summary: Key managers at the mill are aware of the Policy and demonstrate a similar commitment to implement it.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill is not responsible for purchase and sales. The import/export division in the corporate office is responsible for the mill's pulp sourcing and sales, and documents related to fiber inputs are managed and maintained there. Such documents include sales contracts, invoices, delivery documents, and custom files.</p> <p>The import/export division collected the forest origin information from 6 leading suppliers (Hallein, Rayonier, CMPC pulp, Arauco, Nipo-Brasileira, Caima), including forest maps and statements made by pulp producers. However, the</p>

	<p>forest origins only reflect the pulp suppliers declared wood origin, does not link to each sales contract with an invoice.</p> <p>The auditor also identified the mill sourced from domestic pulp producer—Yunjing, Juntai and minimal volume from Thailand Phoenix as trial materials around (2000 tons in the last 12 months) when interviewing Chen Xiaojun and verifying the purchasing data. For these suppliers, forest origin info is missing.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Please refer to findings 2.6 For the 6 main suppliers, information about the forest of origin is collected, but such info is not included in delivery documents.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Five of the six main suppliers are FSC certified, and the other, Hallien, is PEFC certified. The auditor confirmed via document review that only Arauco and CMPC have FSC code and claims on sales and delivery documents. The volume from these two suppliers accounts for about 76% of raw materials sourced by the mill.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill doesn't maintain a summary of annual purchase and sales, the summary is managed and maintained at the corporate level were checked by the auditor.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>

	<input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The outgoing transportation documents don't include forest origin information; as described in 2.6, the forest origin information is collected separately and not linked to each invoice/delivery note. Certification status is included on invoices issued by CMPC and Auranco.
<p>Summary: The mill has no function of purchase and sales. The import/export division in the corporate office is responsible for the mill's pulp sourcing and sales, documents related to fiber inputs are managed and stored at the corporate office.</p> <p>The forest origin information is collected separately and is not attached to each invoice/delivery note. Certification status included on invoices issued by CMPC and Auranco.</p> <p>Except for the 6 main suppliers, the mill also sourced from 6 undisclosed suppliers (Juntai, Phoenix, Mondi, Tembec, Ilim and Yunjing) for trial production. For these additional suppliers, no forest of origin information was available. According to the mill employees, the organisation does not manage trial production suppliers the same fashion as the 6 main suppliers.</p>	

4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.	
Indicators	Findings
4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The interview with the mill and import/export division managers demonstrates they are aware of forest conservation and all relevant laws and regulations. There is no news and information disclosed that the organization is in non-compliance with national or international laws. The organization, including the Yibin mill, maintains an approved ISO9001:2000 Standard Quality System and ISO14001:2004 Environment Management System.
4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available

	<p>Description of the finding: The interview to key managers of the mill and import/export division demonstrates they know the definition of Ancient and Endangered forests and controversial sources. The mill follows corporate's commitments with no source from Ancient and Endangered Forests and controversial sources.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mills didn't conduct the assessment, and they adopt the evaluation conducted by the corporate based on the Canopy dissolving pulp classification tool. All 6 suppliers have no identified sourcing issues regarding ancient and endangered forests. However, for three suppliers (Cenibra/Nipo Brasileira, Arauco, and CMPC), social risks have been identified.</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Please refer to 4.6. The mills do not conduct the assessment, instead, they adopt the evaluation conducted by the corporate. For all six declared suppliers, none originate from Ancient and Endangered Forests according to the Dissolving Pulp Classification tool. However, there may be risks related to social issues and legality. Not all the fibre is purchased with FSC claims, which could mitigate some of these risks. However, during the short notice audits, the auditor found that Yibin Grace sources from 6 suppliers that were not disclosed during this corporate audit. The corporate auditor did evaluate if this requirement had been met, since those suppliers were not disclosed. The indicator is therefore graded as "Commitment in Progress".</p>
<p>Summary: The interview with the mill and import/export division managers demonstrates they are aware of forest conservation and all relevant laws and regulations, know the definition of Ancient and Endangered forests and controversial sources. Although the mills didn't conduct the assessment, and they adopt the evaluation conducted by the corporate based on the Canopy dissolving pulp classification tool.</p>	

All 6 suppliers have no identified sourcing issues regarding ancient and endangered forests. However, for three suppliers (Cenibra/Nipo Brasileira, Arauco, and CMPC), social risks have been identified.

5. Actions if suppliers contravene criteria

Indicators	Findings
<p>5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill doesn't set up a program monitoring the suppliers directly. Instead, the mill follows the corporate supply control procedure, which requires a supplier evaluation against the fiber sourcing policy to conclude that the pulp does not originate from Ancient and Endangered Forests and controversial sources. According to the action plan for Canopy sourcing policy, when a non-conformance is identified, the company will request the supplier to take mitigation immediately. If the suppliers cannot take corrective actions, the organization will terminate the purchasing. However, the timeframe for the supplier to act is not defined.</p> <p>The corporate office terminated their sourcing from Jari and TPL after the first Canopy audit. Also, the auditor verified the internal supplier management system and warehouse bookkeeping and found no new purchase from Jari and TPL since the termination date.</p> <p>However, the mill continues to source from Juntai, Thailand Phoenix in the last 12 months, despite the fact that records at the corporate level indicated that sourcing had ceased. The 6 undisclosed suppliers are not included in the supplier management system and monitoring procedure.</p>
<p>Summary: The mill doesn't set up a program monitoring the suppliers directly. Instead, they follow the corporate supply control procedure. The 6 undisclosed suppliers are not included in the supplier management system and monitoring procedure.</p>	

7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. See corporate audit findings.

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

1. Evaluation of Site: Chengdu Grace Fibre Co., Ltd

Primary Responsible Person: (Responsible for control system at site(s))	Zhong Chunyan
Auditor(s):	Zhang Xinxin
People Interviewed, Titles:	<ul style="list-style-type: none"> - Zhong Chunyan vice-general manager and QA of Chengdu Mill - Mr. Li general manager of Chengdu Mill - Qin Peng, warehouse manager of Chengdu Mill - Song Wei, Vice general manager of Yibin Grace Corporate - Wen Xuejin, import manager of Yibin Grace Corporate. - Cheng Xiaojun, international business of Yibin Grace Corporate.
Brief Overview of Audit Process for this Location:	The site is Yibin Grace's Mill in Chengdu City, Sichuan Province of China. Because it is a short-notice audit, an audit plan was shared with Chengdu mill one day before the onsite audit. The auditor started the onsite audit at 9am on June 11; after a brief opening meeting explaining the purpose of the audit and audit arrangement, the auditor review documents and carried out staff interviews and onsite inspection at 9:30-12:30 am, then organized a close meeting at 12:30.
Comments:	Chengdu Mill's raw material purchases and sales is managed directly by the import/export division of Yibin Grace corporate office. The mill has no staff responsible for pulp sourcing and supplier management, all done by the corporate office directly for the mill.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it. **	Conformance with Indicator: <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>Description of the finding: The manager of the mill doesn't know the Policy and told the auditor that they didn't join training organized by the corporate office and Canopy. They also stated that this aspect of the procedures are all managed directly by import/export division of the corporate office.</p>
<p>1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill implements the policy and follows the corporate procedure, didn't develop a separate procedure.</p>
<p>Summary: Key managers at Chengdu mill are not aware of the Policy.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill is not responsible for purchase and sales. The import/export division in the corporate office is responsible for the mill's pulp sourcing and sales, documents related to fiber inputs are managed and stored at the corporate office. Such documents include sales contracts, invoices, delivery documents, and custom files. The import/export division collected the forest origin info from 6 leading suppliers (Hallein, Rayonier, CMPC pulp, Arauco, Nipo-Brasileira, Caima), including forest maps and statements made by pulp producers. However, the forest origins only reflect the pulp suppliers' wood origin, cannot link to each sales contract and invoice. The auditor also identified the mill sourced from domestic pulp producer—Yunjing, and also observed pulp from Mondi, Ilim, Tembec stored at the production site, which are not reported by the import/export division and not included in the supplier list. For these types of suppliers, forest origin info is missing.</p>

<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Please refer to 2.6, for 6 leading suppliers, the forest of origins is collected, but such information is not included in delivery documents. Additionally, there are several other type of pulp observed onsite (Yunjing, Ilim, Mondi, Tembec), for which the forest origin information was not collected.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Five of the six main suppliers are FSC certified, and the other, Hallien, is PEFC certified. Only Auranco and CMPC have FSC code and claims on sales and delivery documents. The from these two suppliers accounts for about 70% of raw materials sourced by the mill during Jan-May of the 2021.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill doesn't maintain a summary of annual purchase and sales. The summary is managed and maintained at the corporate level were checked by the auditor.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The outgoing transportation documents don't include forest origin information; as described in 2.6, the forest origin information was collected separately and not attached to each invoice/delivery note. Certification status included on invoices issued by CMPC and Arauco.</p>
<p>Summary: The mill is not responsible for purchase and sales. The import/export division in the corporate office is responsible for the mill's pulp sourcing and sales, and documents related to fiber inputs are managed and stored at the corporate office.</p> <p>The forest origin info was collected separately and not attached to each invoice/delivery note. Certification status included on invoices issued by CMPC and Arauco.</p> <p>In addition to the 6 main suppliers listed above, the mill also sources from Phoenix, Juntai, Yunjing, Mondi, Ilim, Tembec. According to the mill, a separate trial production run was performed for these suppliers.</p>	

4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.	
Indicators	Findings
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The interview with the mill and import/export division managers demonstrates they are aware of forest conservation and all relevant laws and regulations. There is no news or information disclosed that the organization is in non-compliance with national and international laws. The organization, including Yibin mill, approved the ISO9001:2000 standard quality system, ISO14001:2004 Environment Management System.</p>
<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The interview to key managers of the mill demonstrates they didn't know the definition of Ancient and Endangered forests and controversial sources. In interview, the key staff told auditor they follow the corporate office's commitments to avoid sourcing from</p>

	Ancient and Endangered Forests and controversial sources.
4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mills didn't conduct the assessment, and they adopt the evaluation conducted by the corporate based on the Canopy dissolving pulp classification tool. All 6 suppliers have no identified sourcing issues regarding ancient and endangered forests. However, for three suppliers (Cenibra/Nipo Brasileira, Arauco, and CMPC), social risks have been identified. Additionally, there are 4 additional supplier observed onsite, which are not in the supplier list and the scope of assessment.</p>
4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Please refer to 4.6. The mills did not conduct the assessment, and they adopt the evaluation conducted by the corporate. For all six main suppliers, none source from Ancient and Endangered Forests according to the Dissolving Pulp Classification tool. However, there may be risks related to social issues and legality. Not all the fibre is received with FSC claims, which could mitigate some of these risks. Lastly, there are additional type of pulp identified onsite as described in above.</p>
<p>Summary: The interview with the mill and import/export division managers demonstrates they are aware of forest conservation and all relevant laws and regulations, but don't know the definition of Ancient and Endangered forests and controversial sources.</p> <p>The mills do not conduct the assessment, and they adopt the evaluation conducted by the corporate based on the Canopy dissolving pulp classification tool.</p> <p>All 6 suppliers have no identified sourcing issues regarding Ancient and Endangered forests. However, for three suppliers (Cenibra/Nipo Brasileira, Arauco, and CMPC), social risks have been identified.</p> <p>Finally, there are additional type of pulp identified onsite (Phoenix, Juntai, Yunjing, Tembec, Ilim and Mondi), and these material inputs are neither assessed nor reported.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings

5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.

Conformance with Indicator:

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

Description of the finding:

The mill doesn't set up a program monitoring the suppliers directly. Instead, they follow the corporate supply control procedure, which requires a supplier evaluation against the fiber sourcing policy before purchasing to ensure that the pulp does not originate from Ancient and Endangered Forests and/or controversial sources. According to the action plan for Canopy sourcing policy, when a non-conformance against this procedure by a supplier is identified, the company will request the supplier to take mitigation immediately. If the suppliers cannot take corrective actions, the organization will terminate the purchasing. However, the timeframe for the supplier to act is not defined.

The corporate terminated their sourcing from Jari and TPL after the first Canopy audit. The auditor verified the internal supplier management system and warehouse bookkeeping and found no new purchase from Jari and TPL since the termination date.

However, auditor found there is pulp from Yunjing, Tembec, Ilim and Mondi being used on the production lines, which conflicts with the findings identified at the corporate level. These are not included in the supplier management system nor in the monitoring procedure.

Summary: The mill doesn't set up a program monitoring the suppliers directly. Instead, they follow the corporate supply control procedure. Material from 4 other pulp suppliers (Yunjing, Tembec, Ilim and Mondi), which are not included in the supplier management system and monitoring procedure, were observed onsite.

7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.

Indicators	Findings
7.1 The production site/mill has developed and adopts a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p>

	<p>The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level.</p>
<p>7.2 The production site/mill document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level.</p>
<p>7.3 The production site/mills show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level.</p>
<p>7.4 The production site/mill and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding: The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level.</p>
<p>7.5 The production site/mill has developed procedures to ensure commitment to the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level..</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level.</p>
<p>Summary: The mill has not developed its policy and procedure regarding recognizing and upholding human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies. The mill follows the corporate FPIC and social policy. All communication with suppliers on FPIC, human rights, rights of workers, and ILO-related issues are managed by the import/export division directly at the corporate level.</p>	

Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Yibin Grace for continuous improvement

November 4, 2021

Canopy applauds Yibin Grace for completing its second CanopyStyle audit. The audit shows that the company has made efforts to implement its CanopyStyle policy, including the elimination of fibre with known risk, and a large increase in the use of FSC certified fibre. However, a site visit found that the company is using suppliers not disclosed in the corporate audit, and that these suppliers have not been assessed by the company for risk.

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

- Prior to the next audit, update the risk assessment to include all suppliers and cross reference with the Dissolving Pulp Classification Tool. In addition, expand risk assessment to include risk associated with "other controversial sources" such as social issues, legality, conversion dates;
- Once the risk assessment is updated, work to immediately mitigate and eliminate existing risk;
- Increase the proportion of FSC fibre procured, with a preference for FSC 100%;
- Develop procedures to assess suppliers' GHG emissions, as well as procedures to ensure that sourcing from high carbon forests is avoided;
- Continue to prioritize the development of Next Generation Fibre solutions, with a target of achieving 50% by 2030;
- With support from Canopy, continue to support advocacy actions for the conservation of key priority forest regions;
- Adopt best in class processing technologies. Work with experts in the field to implement pollution control technologies to limit their impact. Implement the new ZDHC MMCF guidelines¹ for chemical management, which give suppliers unified criteria for measuring output indicators like wastewater, sludge, air emissions and other process-related parameters.

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

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

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