



CanopyStyle Audit Report

for Xinxiang Bailu Chemical Fiber Co., Ltd.

Assessment 2019

Evaluation date: 19-20 June 2019

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Organisation Contact

Xinxiang Bailu Invest Group Co., Ltd.

No. 1 Jinyuan road, Fengquan district, Xinxiang city, HeHenan province

Contact person: Jin Xiaofei, Email: jinx_f_qgc@bailu.cn

Audit managed by

NEPCon FMBA
Copenhagen, Denmark
Contact person: Gweneth Langdon
Tel: +1 802 434 3420
Email: gl@nepcon.org

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INTRODUCTION

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, NEPCon offers timely and cost-effective certification services around the world.

The purpose of this report is to document performance of *Xinxiang Bailu Invest Group Co., Ltd.* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 2019 version) developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)¹ and the over 200 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 NEPCon 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.

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

¹Current members of this group are H&M, M&S, Inditex/Zara, EILEEN FISHER, Stella McCartney and Canopy.

1. GENERAL DESCRIPTION

1.1 Company overview

Xinxiang Bailu Invest Group Co. Ltd was established in 1960 and began production in 1964. Currently the number of employees amounts to 9,522. Xinxiang Chemical Fiber Co., Ltd is a major subsidiary of the group which has two mills with 200,000 tons of designed production capacity, 80,000 tons of which is man-made cellulosic fiber (MMCF) and the rest is spandex. It boasts four research platforms, such as Henan province chemical Invest Group engineering research center and more than 80 national patents.

It holds a number of third-party certificates, including the ISO9001:2008 quality management system, FSC Chain of Custody, ISO14001:2004 Environment Management System, OHSAS18001 Occupational Health and Safety management system and STANDARD 100 by OEKO-TEX® testing and certification system.

1.2 Company scope (sites, locations, etc)

Among all subsidiaries, only Xinxiang Chemical Fiber Co., Ltd is involving in business of man-made cellulosic fiber, including the purchase of raw material and production of MMCF. Other affiliated companies have no involvement in the MMCF business and therefore are outside of CanopyStyle audit scope.

Xinxiang Chemical Fiber Co., Ltd. has two viscose mills, both are located in Xinxiang City, Henan province:

One mill located in: No. 1 Jinyuan road, Fengquan district, Xinxiang city, Henan province;

The other mill located in: South side of Xinchang road, Economic development area, Xinxiang city, Henan province.

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

1.3 Company sourcing policy

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

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

The policy is made publicly available on the company's website: <http://www.bailu.cn/newsinfo/1294445.html>

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

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

企业传播

Communication

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

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

新乡化纤股份有限公司

XINXIANG CHEMICAL FIBRE CO.,LTD

2015 年 12 月 8 日

08-Dec-2015

辛德顺

Picture 1: The last page with the signature of General manager

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 Invest Group Input:	Approximately 50% Dissolving pulp and 50% cotton fibre	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: The Company provided map overlay with Ancient & Endangered Forests for the companies that provided detailed forest of origin information.
Mill Capacity:	80,000 tons viscose rayon filament yarn /year	
Primary Activity:	Viscose rayon filament yarn	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	

	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 6,234	Permanent female: 3,288
	Contract male:	Contract female:
	TOTAL:	9,522

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

3. EVALUATION PROCESS

2.1 Audit Team

Auditor name(s)	Qualifications
Gaojun Zhao	Responsible Sourcing Specialist, NEPCoN; FSC FM/CoC Lead Auditor and NEPCoN LegalSource auditor; Majored in forestry management and has more than 11 years of experience in the fields of Timber Legality Verification, Forest Management and FM/COc certification in China.

2.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Corporate Office	19 June, 2019 & 20 June 2019	5 hours
Mill 1	19 June, 2019	4 hours
Mill 2	19 June, 2019	3 hours

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

2.3 Description of Overall Audit Process

The auditor shared an audit plan with the Company two weeks before the onsite audit. The company profile, supplier list and system documents were sent to the auditor for review before the audit.

On 19th June, the auditor started the onsite audit.

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 introduced by the auditor. Also, the management representative gave a brief introduction of the Company and operation activities it involves.

Following the opening meeting, the auditor interviewed the management team on the practices and strategic plan about Canopy policy commitment, including Company structure, human resource, purchase policy, supplier management, Research of Alternative Fibre, environment protection, forest protection, etc.

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

Then, the auditor toured the company's two mills including the production line and warehouse.

In combination with review documents and visit the company's facilities, the auditor interviewed the staff from various departments: corporate management, purchase, production, warehouse, EHS, R&D, HR, etc.

The closing meeting was held at the office at 11:00am of 20 June 2019 with the presence of the management. During the meeting the main findings were presented and explained to the Company.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive findings:

The Company has developed a sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The standard operational procedure was developed by the HQ and shared with all sites.

The Company participated in a couple of official Canopy trainings and provided several training sessions to the staff at different levels. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

The purchase department has collected forest origin information from the suppliers and conducted risk assessment. Two suppliers were assessed as high risk and three suppliers have uncertain risk because of insufficient information on origin. The high-risk suppliers were suspended/terminated, and the further communications and/or actions were made with the uncertain risk companies.

The supplier risk assessment was made publicly on the Company's official website and the risk assessment of suppliers has been shared to Leaders Group to ask for feedback.

The Company has created a plan to increase gradually the quantity of FSC certified wood pulp and plans to purchase the pulp from the suppliers engaging in forest protection program preferentially. In 2018, under 1% pulp purchased is FSC certified.

The Company is researching new technology with low emission of polluted water and air and to increase the utilization of fiber.

Areas for improvement:

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, but often received only enough information to locate the dissolving pulp mill location. Therefore, sometimes origin of material is only known at a country level, creating a broad sourcing area with potential overlap with ancient and endangered forests. More information on forest of origin is needed to understand if these mills are in fact sourcing from ancient and endangered forests or controversial sources.

After the audit, Canopy published an advice note (effective 1 June 2019) that introduces a new tool (Dissolving Pulp Mill Classification) to be used in addition to the Forest Mapper when conducting risk assessments for sourcing from ancient and endangered forests. The new tool outlines commonly used dissolving pulp mills and Canopy's determination of risk considering their priority ancient and endangered forests. In comparing the company risk assessment with the new Canopy risk assessment, there are differing risk results:

Supplier	Company Risk Assessment	Canopy Risk Assessment
Cosmo Specialty Fiber	Uncertain	Potential Risk
AustroCel Hallein	Uncertain	Low risk
Borregaard	Uncertain	Potential Risk
Fortress Specialty Cellulose	Low risk	Potential Risk
Stora Enso	Low risk	Potential Risk

After the release of the advice note, and Bailu's review of the draft audit report, evidence was provided that two of the suppliers above are no longer being used (Borregaard and Fortress). The last purchase of materials from Borregaard occurred in September 2019 and used in full, while the last purchase of materials from fortress occurred in March 2019 and volumes of pulp in inventory remain and are planned for use until exhausted. The Company has made great efforts to conduct a risk assessment on sourcing from ancient and endangered sources, but more assessment is needed for controversial sources. 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.

The Company has begun developing and implementing many of the required procedures required by this framework, however full implementation is not yet completed.

4.2 Summary of findings

Rating	Color
Not Applicable	

Commitment Met	
Commitment in Progress	
Commitment Not Met	
Insufficient Information Available	

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Invest Group 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 the Policy with input from and agreement of civil society stakeholders. **	Commitment in Progress
	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 Met
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Commitment 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 transparent/public grievance procedure with the input and agreement of civil society stakeholders	Commitment in Progress
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	Commitment Met
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	Commitment Met
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	Commitment Met
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group. **	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 in Progress
	2.3 A risk assessment has been done with the information and shared with Leaders Group.	Commitment in Progress
	2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.	Commitment 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 Met
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 Leaders Group. **	Commitment in Progress
	4.3 Any raw materials in the MMCF producer’s supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	Commitment Met
	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 in Progress
	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 Met
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	Commitment Met
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	Commitment in Progress
	6.2 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. **	N/A
	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	N/A

	affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	
	6.4 The MMCF producer has 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. **	N/A
	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. **	N/A
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 in Progress
	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 in Progress
	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. 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 Invest Group	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 Invest Group sources that reduce environmental and social impacts, such as agricultural residues and recycled Invest Groups. **	Commitment In Progress
	8.2 The research and development phase for the production of pulp and cellulosic Invest Group made from alternative Invest Group 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 in Progress

	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.	N/A
	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. **	N/A
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	Commitment in Progress
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.	Commitment in Progress
	11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forested peatland at the concession and landscape level (peat dome) and that have identified, withdrawn from and restored peatlands and their hydrology. **	Commitment Met
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. Iyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</p>	Commitment in Progress

4.3 Volume Summaries

Reporting period: from January 2018 to December 2018

Category	Explanation	Volume (tons)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	207 tons	0.34%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	313 tons	0.52%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	0
Non-FSC	Material received with no FSC claim.	59,710 tons	91.4%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0

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

1. Evaluation of Site: Xinxiang Chemical Invest Group office

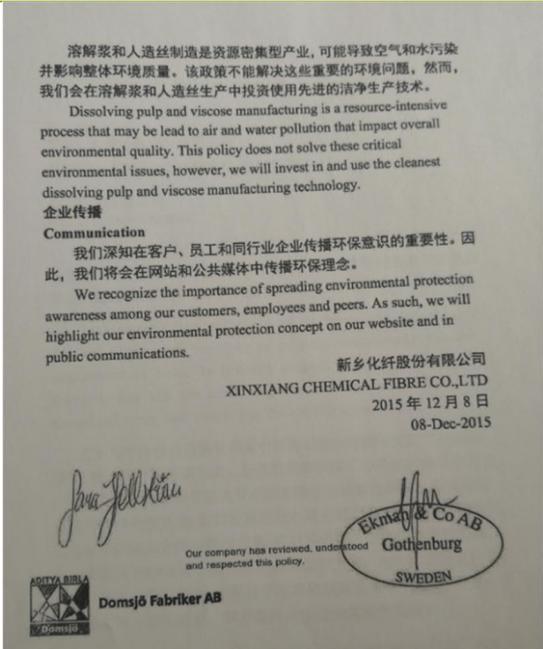
Primary Responsible Person: (Responsible for control system at site(s))	Run Junjie, purchase
Auditor(s):	Gaojun Zhao
People Interviewed, Titles:	<ul style="list-style-type: none"> - Song Deshun, General manager; - Chuo Lirong, Purchase manager; - Ruan Junjie, Purchase office; - Jia Junjiang, Corporate management manager; - Jin Xiaofei, Corporate management; - Mr. Xie, R&D
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments: Xinxiang Chemical Fiber Co., Ltd. Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the two mills in Xinxiang city of Henan province in China.	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fibre Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective in 8th December 2015). The policy was posted on the website http://www.bailu.cn/newsinfo/1294445.html</p>

	<p>www.bailu.cn/newsinfo/1294445.html</p>  <p>The interview of the general manager of the Company, and deputy general managers confirmed senior management team were well informed the definition of ancient and endangered forests and other controversial sources and were fully committed to implement Canopy purchase policy.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has developed SOP (file No. Q/CanopyStyle cx-01-2019) to implement of the fibre sourcing policy, including objectives, purchase policy, supplier management procedure, action plan, etc.</p> <p>The company will only purchase the wood pulp in compliance with the purchase policy. The supplier with high risk will be suspended. The supplier who does not provide sufficient information must take actions within deadline (6 months). If the non-conformity is not solved by the supplier within the deadline, the company will stop purchase. The records of communication to the suppliers were reviewed, including request of supply chain information and action plan.</p> <p>However, at the time of this audit, the standard operating procedures (SOP) was not consulted with civil society stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p>

	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The appointment letter for implementation of Canopy requirements are provided. The general manager has the overall responsibility. The purchasing department is assigned and responsible for the implementation of the policy. The responsibility of implementing the policy is included in Company structure and responsibility division. The interview of the purchase manager, responsible for fibre sourcing overseas, confirmed she's fully aware the policy and responsibilities. Other departments are also involved, such as Corporate management department. It is in charge of contact with Canopy and audit body, internal monitoring of Canopy policy implementation and support policy activities.
1.4 The MMCF producer has developed capacity and Companyal structure to implement the Policy.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The Companyal structure for implementation of policy is shared with the auditor. Most of the existing departments are engaged in the implementation of the policy: import/export branch in charge of supplier management and policy enforcement, Environment Protection Department in charge of pollution prevention, Technique research division in charge of new technology development, Corporate management dept, etc. Interviews found all relevant staff aware of Canopy policy and their responsibility.
1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The company notified all suppliers the commitments via email and call. Email records in April and May 2019 were provided.

	 <p>(example of sourcing policy communication with the supplier)</p> <p>Five suppliers signed a commitment letter as requested, including Fun collection, Ekman & CO AB, Golden Lord, Golden Yield, Celltech, Eurocell.</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 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: Since May 2019, the requirements to implement the policy have been included in the contracts with the suppliers Ekman and Austrocel Hallein. It will also be included in all future contracts with other suppliers, according to interview with the purchase department and the documented procedure.</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 company developed SOP which includes the supplier control procedure. Based on the procedure, the new supplier must comply with Canopy requirement and with the</p>

	<p>low risk. Also, the performance of active suppliers will be monitored annually. However, the monitoring approach is not described clearly in the supplier control procedure (for example, how to evaluate the information/documents provided by the supplier; any involvement of onsite supplier and/or forest audit; how to conduct stakeholders consultation). In addition, since 8th December 2015, the commitment date of the policy, the company has not conducted annual monitoring to the suppliers in CanopyStyle framework requirements.</p>
<p>1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: There is a public grievance procedure in place and the Company has set up a webpage for accepting complaints from the public http://www.bailu.cn/newsinfo/1294445.html</p> <p>Complaints procedure and contact info: 投诉程序与渠道: 进出口处负责与CanopyStyle行动相关的投诉处理; 欢迎利益相关方监督供应商的行为, 如发现不符合CanopyStyle行动或不符合当地法律法规的行为, 可以向我公司进行投诉, 我公司接到投诉诉求后, 由专人负责处理, 将投诉诉求向公司主管领导, 经专题讨论后在一周内将处理方案反馈给投诉方, 并在方案执行到期后将结果也反馈给投诉方。 投诉渠道: 投诉电话: 0373-3977322 联系人: 阮俊杰 来函请寄中国河南省新乡市凤泉区锦园路新乡化纤股份有限公司进出口处, 收信人阮俊杰。 投诉受理邮箱: ruanjj_jcc@bailu.cn</p> <p>However, no evidence showed that the grievance procedure has taken the input and agreement of civil society stakeholders into account.</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 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: No complaints have been received, and no nonconformities have yet been recognized as this is the first CanopyStyle audit. The action plan has been developed to the supplier with high risk or lack of sufficient information.</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</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: The Company organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review. Corporate management dept. and purchase dept., March, April and May 2019; Training to middle and top management level, 8April2019; Training to all relevant staff, 11June2019; Training for purchase dept, 2019/5/8-10. The interviews to all relevant staff in corporate office and mills demonstrated they are fully aware the policy and were able to explain to the auditor how they should implement the policy.
1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**	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: Yes, the SOP developed by the group headquarters was shared with two mills.
Summary: The Company has developed a sustainable fibre sourcing policy with supporting procedures for implementation. However, these procedures developed have not been consulted with stakeholders. In addition, the supplier monitoring system is not being implemented and the monitoring approach is unclear.	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group.**	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 provided a supplier list at the time of this audit. The Company has assessed all supply chains to the sourcing policy and shared with Leaders Group. the general manager confirmed that they are willing to share with Leaders group.

	<p>As the procedure, the assessment will be updated annually and shared with the Leaders Group.</p> <p>However, three suppliers have not been assessed completely, due to lack of forest location.</p> <p>Additionally, the assessment did not fully take care of the risk of sourcing from controversial sources, such as source linked to illegal activity, Violations of the rights of indigenous peoples, local communities and workers, Plantations established after 1994 through the conversion or simplification of natural forests, the use of genetically modified organisms (GMO), etc.</p> <p>After the audit, but prior to the finalization of this report, Canopy published an advice note that releases their own assessment of commonly used dissolving pulp manufacturers. There are 5 suppliers with differing ratings between the two risk assessments (section 4.1 of the main report), often due to the need for more information on forest of origin location.</p>
<p>2.2 The assessment identifies all suppliers in the chain beginning at the forest or plantation of origin, that supply the MMCF mills.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company's supplier list was provided. The dissolving pulp mills on the supplier chain are identified.</p> <p>In some cases, full Forest of Origin information was not provided but the company has worked with Canopy to identify sourcing issues.</p>
<p>2.3 A risk assessment has been done with the information and shared with Leaders Group.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The risk assessment was conducted by the companies.</p> <p>However, at the time of the audit, the Company had not assessed three suppliers (Cosmo, AustroCel Hallein, Borregaard AS) completely, due to lack of forest location, and as noted in</p>

	<p>finding 2.1, the assessment did not fully take care of the risk of sourcing from controversial sources.</p> <p>In addition, Canopy published an advice note that releases their own assessment of commonly used dissolving pulp manufacturers. There are 5 suppliers with differing ratings between the two risk assessments (section 4.1 of the main report), often due to the need for more information on forest of origin location.</p>
<p>2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.</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 supply chain assessment has presented to the Leaders group for comments. So far, no comments have been received.</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 <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company has published its suppliers on website: http://www.bailu.cn/newsinfo/1294478.html</p>  <p>The screenshot shows a webpage titled 'Dissolving pulp suppliers list' from Xinxiang Bailu Investment Group Co., Ltd. It lists 10 suppliers with columns for '序号' (Serial Number), '海關標名稱' (Customs Label Name), '供應商名稱' (Supplier Name), and '生產商' (Manufacturer). The table includes suppliers like Cosmo, Domsjo, AustroCel, Fortress, Borregaard, Golden Lord, Celltech, Eurocell, DP Marketing, and Eneo.</p>

Summary: The company collected the supply chain information from the suppliers, conducted the risk assessment and published the supplier list on their website. Also, the risk assessment has been shared with the Leaders Group. However, some suppliers have not been assessed completely, due to lack of forest location or lack of an assessment done on controversial sources. Additionally, after the audit, Canopy released their own risk assessments on dissolving pulp manufactures which has different risk ratings for 5 of the suppliers.

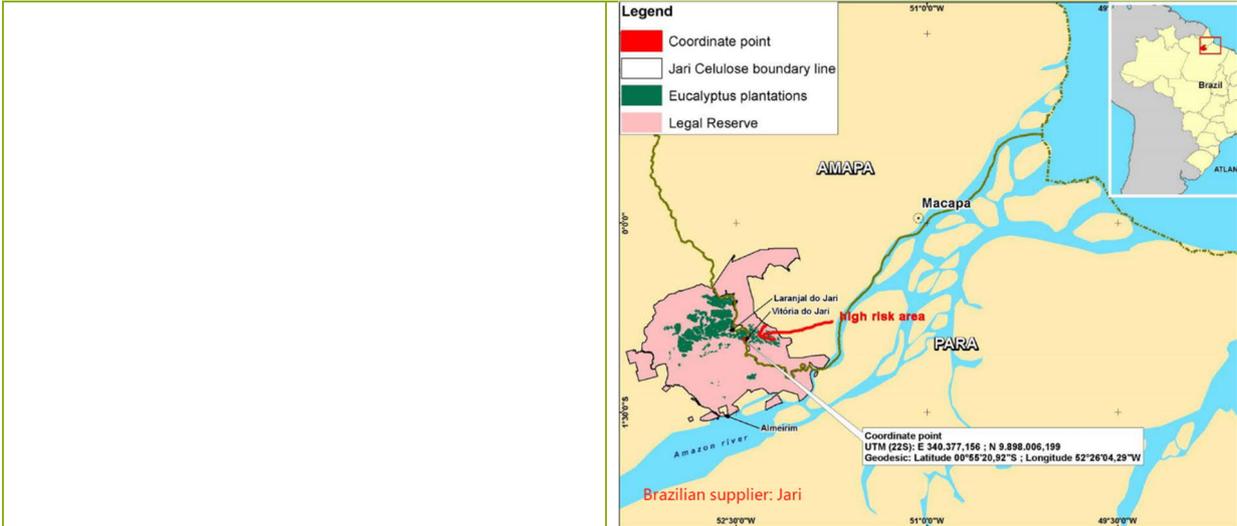
3. No conversion of natural forest to plantations

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.**	<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 requested suppliers to disclose the plantation establish date, however, no supporting documents were provided to confirm the declared dates. Also, some suppliers are purchasing material from the plantations which were established in and/or after 1994, such as Cosmo, CELLTECH S.L.</p> <p>This indicator is being graded as "in progress" due to follow up actions taken with Cosmo and Toba.</p>
<p>Summary: The Company requested suppliers to disclose the plantation established date, however no additional information was collected to verify these declarations. Some plantations are declared being established in or post 1994.</p>	

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

Indicators	Findings
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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company's policies and procedures include the definitions of ancient & endangered forests, intact forests, and controversial sources as the CanopyStyle framework.</p>

	<p>新乡白鹭投资集团有限公司 Xinxiang Bailu Investment Group Co., Ltd.</p> <p>网站首页 关于白鹭 信息公开 创新与发展</p> <p>原始濒危森林定义:</p> <p>原始濒危森林指完整森林景观、天然稀有林、由于人类活动导致其稀有的森林类型或其它对维持生物多样性完整性具有关键生态价值的森林。濒危森林包括：完整森林景观、残余森林和核心恢复区、景观连接度、稀有森林丰富的森林、稀有濒危物种聚集的森林、特有森林、重点物种的核心栖息地、表现出稀有生态和演化现象的森林。位原始濒危森林，可使用FSC森林管理委员会定义的HCV高保护价值森林地图，以及高保护价值资源网络和IFL完整景观，同时还可参考其它关键生态价值和碳汇价值的地图，比如重要濒危物种栖息地、高陆地碳汇的森林、泥炭地和林HCS。（怀伊河联盟的濒危森林：高保护价值森林的保护——企业承诺指南。该指南已经获得环保组织、企业和动物保护研究所的董事会执行总裁Jim Stritholt博士等科学家的审阅，并在众多企业的森林采购政策中采用。）濒危森林包括加拿大和俄罗斯北方林，英属哥伦比亚、阿拉斯加和智利的沿海温带雨林，印度尼西亚、亚马逊和西非雨林和泥炭地。</p> <p>Definition of ancient and endangered forest .</p> <p>Ancient and Endangered Forest are defined as intact forest landscape mosaics, naturally rare forest types, forest types that have been made rare due to human activity, and/or other forests that are ecologically critical for the maintenance of biological diversity and ecological integrity. Ecological components of endangered forests are: Intact forest landscapes; Remnant forests and restoration core landscape connectivity; Rare forest types; Forests of high species richness; Forests containing high concentrations of rare and endangered species; Forests of high endemism; Core habitat for focal species; Forests exhibiting rare ecological and evolutionary phenomena. As a starting point to geographically locate ancient and endangered forests, maps of High Conservation Value Forests and areas (HCV), as defined by the Forest Stewardship Council (FSC) and the High Conservation Value Resource Network, and of intact forest landscapes (IFL), can be used and paired with maps of other key ecological and carbon values such as the habitat range of key endangered species and forests containing high concentrations of terrestrial carbon, peatlands and High Carbon Stocks (HCS). (The Wye River Coalition's Endangered Forests: High Conservation Value Forests Protection - Guidance for Corporate Commitments. This has been reviewed and endorsed by conservation groups, corporations, and scientists such as Dr. Jim Stritholt, President and Executive Director of the Conservation Biology Institute, and has been adopted by corporations for their forest sourcing policies). Key endangered forests globally are the Canadian and Russian Boreal Forests; Cool Temperate Rainforests of British Columbia, Alaska and Chile; Tropical forests and peat lands of Indonesia, the Amazon and West Africa.</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 Leaders Group.* *</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Two former supply chains (Pt. toba pulp lestari tbk, JARI CELULOSE PAPEL E EMBALAGENS S/A) are assessed as high risk. The areas meeting the definition of “ancient and endangered forests” have been identified and mapped.</p> <p>Indonesian supplier</p>



However, for three suppliers (COSMO SPECIALTY FIBERS, AustroCel Hallein GmbH Borregaard AS) the forest origin can only be traced at country level which does not allow to identify if the material is sourced from ancient and endangered forests.

Further, no evidence showed the company has assessed the risk of sourcing from controversial sources in addition to ancient and endangered forests.

Additionally, Canopy published an advice note that releases their own assessment of commonly used dissolving pulp manufacturers. There are 5 suppliers with differing ratings between the two risk assessments (section 4.1 of the main report), often due to the need for more information on forest of origin location.

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. **

Conformance with Indicator:

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

Description of the finding:

The Company made the commitment and published a sustainable fibre sourcing policy effective on 8 December 2015. The wood pulp with high risk identified is documented and stored with labels.

At the time of this audit, the stock from the pulp mill Jari is 770 tons and stock from PT.toba pulp lestari tbk is 0 ton. After learning of risks related to controversial fibre, the Company stopped sourcing from t.toba pulp lestari tbk. The last purchase was 28 Feb.2018. The supplier
JARI CELULOSE PAPEL E EMBALAGENS S/A

	<p>was also stopped. The last purchase is 4 March 2019.</p> <p>5 additional suppliers have been highlighted for potential risks of sourcing from ancient and endangered sourced but have not yet been confirmed as high risk due to current lack of information.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations.</p> <p>Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws. The Company approved the ISO9001:2000 standard quality system, ISO14001:2004 Environment Management System.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The commitment letter of not sourcing from ancient and endangered forests and other controversial sources was signed by the suppliers.</p> <p>The risk assessment of sourcing from ancient and endangered forests is based on the information collected from the suppliers.</p> <p>The company stopped purchase from the high-risk suppliers: Jari in Brazil and Pt.toba (see finding 4.3), and is has engaged with 3 other suppliers to gain more information to ensure compliance with the policy (Cosmo, Borregaard and Hallein). After the audit, the company submitted evidence that two suppliers will no longer be used for future purchases – Borregaard and Fortress. Also, Hallein was determined as low risk due to the publication of Canopy’s advice note.</p>

	Note that most suppliers provide declaration of their sourcing origin and information, and that this information is a declaration and has not yet been verified by the company. Verifications can include collecting certification claims, or conducting some other type of supplier audit.
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Summary: The MMCF producer has adopted clear definitions for the terms included in their Policy. The areas meeting the definition of “ancient and endangered forests” have been identified and mapped. The stock with high risk is documented and suppliers have been terminated. However, no evidence showed the company has assessed the risk of sourcing from controversial sources. Also, no evidences showed the supply chain information and declaration provided by the suppliers has been verified by the company, to ensure accuracy and validity.

The company identified 3 suppliers as needing more information to determine risk. After the audit, Canopy published an advice note that releases their own assessment of commonly used dissolving pulp manufacturers. There are 5 suppliers with differing ratings between the two risk assessments (section 4.1 of the main report), often due to the need for more information on forest of origin location.

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

Indicators	Findings
5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**	<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 up to dissolving pulp mills are identified and forest origin was disclosed. However, the forest origin for three suppliers (COSMO SPECIALTY FIBERS, AustroCel Hallein GmbH, Borregaard AS) was known at country level or state level which does not allow full risk assessment and determine the risk level. The company is trying to get the more precise information of forest of origin to allow accurate risk assessment.</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.** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	<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 included the policy and CanopyStyle requirement in supplier control procedure.</p>

	<p>The supply agreement defined the situation where the purchase will be stopped. If the non-conformance is found, the company will suspend or decrease the purchase and the supplier must take actions within 6 months. If the issue cannot be addressed within 6 months, the purchase from the supplier will be terminated.</p> <p>Upon determination of high risk for two suppliers, the company terminated sourcing according to this procedure. See finding 5.3 below.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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>After learning of risks related to controversial fibre, the Company stopped sourcing from t.toba pulp lestari tbk. The last purchase was 28 Feb.2018. The supplier JARI CELULOSE PAPEL E EMBALAGENS S/A was also stopped. The last purchase is 4 March 2019.</p> <p>The supplier Borregaard AS was also suspended on 12 Sep.2018 due to lack of information.</p>
<p>Summary:</p> <p>All suppliers up to dissolving pulp mills are identified and forest origin was disclosed. More detailed information is needed on at least 3 suppliers to determine risk.</p> <p>The Company included the policy and CanopyStyle requirement in supplier control procedure.</p> <p>The supply agreement defined the situation where the purchase will be stopped.</p> <p>The company has documented withdrawals from supply agreements where non-conformance has been found.</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 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 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 chairman and vice general manager confirmed leader group and other stakeholders are welcome to join the verification as</p>

	<p>observers in the future, and any observations could be reported to the auditor freely. This indicator is graded as "Commitment in progress" due to the fact that no such practice has happened to date.</p>
<p>6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection has been completed, based on best available science, by a credible third party, and made public.**</p>	<p>Conformance with Indicator:</p> <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: N/A – suppliers identified as a high risk of sourcing from ancient and endangered forests are no longer used. Remaining non- low risk supplier require additional information on sourcing.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p>Conformance with Indicator:</p> <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: N/A – suppliers identified as a high risk of sourcing from ancient and endangered forests are no longer used. Remaining non- low risk supplier require additional information on sourcing.</p>
<p>6.4 The MMCF producer has developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	<p>Conformance with Indicator:</p> <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: N/A – suppliers identified as a high risk of sourcing from ancient and endangered forests are no longer used. Remaining non- low risk supplier require additional information on sourcing.</p>
<p>6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding: N/A – suppliers identified as a high risk of sourcing from ancient and endangered forests are no longer used. Remaining non- low risk supplier require additional information on sourcing.</p>
<p>Summary: The chairman and vice general manager confirmed leader group and other stakeholders are welcome to join the verification as observers. Suppliers identified as a high risk of sourcing from ancient and endangered forests are no longer used and remaining non-low risk suppliers require more information on sourcing to determine risk.</p>	

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

Indicators	Findings
<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.</p> <p>Most of suppliers signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities. However, the supplier (AustroCel Hallein GmbH) has not signed the commitment letter, at the time of this audit.</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: at the time of the audit, the Company lacked evidence from the supplier on how they confirm with the commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers, at the time of this audit.</p> <p>After the audit, the company reached out to all suppliers and a few replied, noting their PEFC certification or company policy. However not</p>

	all suppliers supplied such evidence at this time.
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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has a public grievance mechanism to accept and handle complaints. The suppliers EKMAN & CO AB and Borregaard AS are FSC COC certified companies which could guarantee the conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope. However, other suppliers are not certified and without evidence provided to 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. Note: many of the non-certified suppliers are brokers, sourcing from manufacturers that hold certification, but are not providing certified claims. These certified suppliers are required to have grievance mechanisms as a part of their certifications.</p>
7.4 The MMCF producer and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers	<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: This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union and OH&S team. During audit, interviews of worker showed their rights are respected. The suppliers EKMAN & CO AB and Borregaard AS are FSC certified companies are supplying material with claim, which could provide a high level of confidence that the workers' rights are recognized and respected, as FSC COC certified Companies are required to do this. However, no evidence showed the company's suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>
7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

<p>uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p> <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The company has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts with the suppliers.</p> <p>The suppliers EKMAN & CO AB and Borregaard AS are FSC certified companies are supplying material with claim, which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>However, the company has not developed effective procedure to verify if the ILO Declaration on Fundamental Principles and Rights at Work is upheld in practice and if the supplier has developed similar procedure to its own suppliers.</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: 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 holds certification, however, not all suppliers hold certification and the materials are not being received with certification claims to ensure this commitment is met all throughout the supply chain, back to the forest.</p>
<p>Summary: Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. Most of key suppliers signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities. However, the Company did not collect evidence from all suppliers on how they confirm with the commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers, at the time of this audit. This collection of evidence is in progress. Most of the suppliers did not provide evidence to 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. Besides, the company has not developed procedure to verify if the ILO Declaration on Fundamental Principles and Rights at Work is upheld in practice and if the supplier has developed similar procedure to its own suppliers. The Company does hold FSC certification and sources some materials as FSC certified, which can provide a level of confidence that these commitments are met, however this is a very small percentage of their supply.</p>	

8. Development of Innovative and Alternative Fibre

Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fibre sources that reduce environmental and social impacts, such as agricultural residues and recycled fibres.**</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 MMCF has a brother company in Xinjiang region which produces cotton pulp made of recycled cotton short fiber surrounding cotton seeds from farmers (cotton linter). Canopy does not consider such raw material as an alternative fiber. At the time of the audit, the Company didn't have an internal action plan to explore and encourage the development of new alternative fibre sources, such as agricultural residues and recycled fibres. However, after the audit, the company presented evidence on new alternative sourcing including collaboration with relevant institutes and NGOs. Also provided was an introduction on its R&D on new alternative sources which is entering towards a commercial scale. Finally a timetable and goal on increasing the use of recyclable fibers such as residual straw and post-consumer recycled materials, etc.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fibre made from alternative fibre 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 checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: N.A Please refer to 8.1</p>
<p>Summary: At the time of the audit, the Company didn't have an internal action plan to explore and encourage the development of new alternative fibre sources, such as agricultural residues and recycled fibres. However, after the audit, the company presented evidence on new alternative sourcing including collaboration with relevant institutes and NGOs. Also provided was an introduction on its R&D on new alternative sources which is entering towards a commercial scale. Finally a timetable and goal on increasing the use of recyclable fibers such as residual straw and post-consumer recycled materials, etc.</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</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

<p>solutions that aim to protect remaining ancient and endangered forests. **</p>	<p> <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The company participated in the recent summit held by Canopy in Shanghai (2019), and gave a presentation "Showcasing Viscose Producer Leadership for Forests."</p>
<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities. **</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The Company requested all suppliers make commitments on FPIC of indigenous people and local communities, but the Company didn't join or initiate any conservation programmes.</p>
<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>	<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>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **</p>	<p>Conformance with Indicator:</p> <p> <input checked="" type="checkbox"/> Not Applicable <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>Summary: The Company has positively engaged in the recent Canopy Summit and requested all suppliers to make commitments on FPIC.</p>	

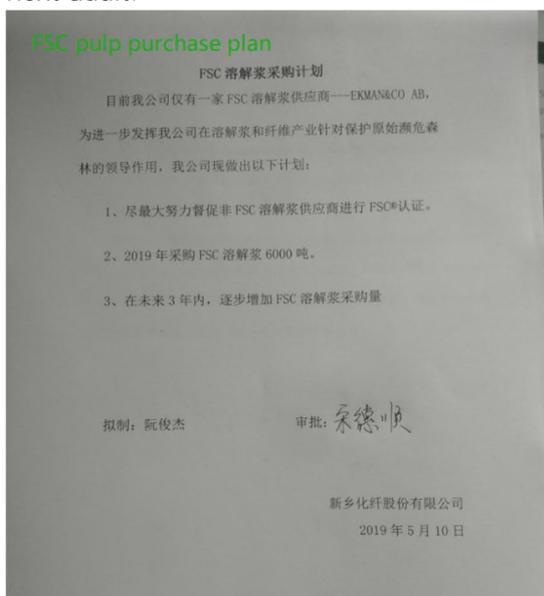
10. Responsible forest management	
Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met </p>

developed and implemented an action plan to increase FSC intake.**

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

Description of the finding:

In the FSC certified pulp purchase plan, it is stated the Company source fibre with the preference for FSC certification. The company plans to purchase 6,000 tons FSC certified pulp and increase the purchase volume in next 3 years. Whether the FSC pulp purchase plan will be implemented needs further evaluation in next audit.



Summary: In the FSC pulp purchase plan, it is stated the Company source fibre with the preference for FSC certification. However, whether the FSC pulp purchase plan will be implemented needs further evaluation in next audit.

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 developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>The Company has no procedure or requirement to evaluate supplier's performance in reducing GHG.</p> <p>The company did provide some information from a few suppliers on their efforts to reduce GHG footprint, but no evidence of the</p>

	company's procedures has been provided to date.
<p>11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forests, forested peatland at the concession and landscape level (peat dome) and identify, withdraw from and restore peatlands and their hydrology. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Manager interviews and supplier control procedure confirmed the Company will give preference for FSC certified suppliers, and suppliers that have management measures to protect forest and peatlands. In section 4.6 of supplier control producer, it's defined that the company will purchase FSC certified pulp and material from suppliers involving in forest protection program.</p>
<p>Summary: According to the purchase policy, the company will purchase FSC certified pulp and material from suppliers involving in forest protection program. The Company has no procedure or requirement to evaluate supplier's performance in reducing GHG.</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. However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</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: In collaboration with Chinese Academy of Sciences (CAS), since March 2018 the Company has been researching a kind of ionic liquid textile technology (离子液纺技术) which is in pilot phase. It can reduce the air pollution and polluted water and increase the fiber utilisation. The collaboration agreement between the Company and CAS was presented with duration from March 2018 to February 2019. However, the new technology is in the middle of research and has not been applied in mass production. After the audit, the Company submitted additional evidence:</p> <ul style="list-style-type: none"> - A waste water verification report from a 3rd party CB - Environmental protection campaign materials

	<ul style="list-style-type: none"> - New project on technology on circular economy <p>This indicator remains in progress as much of the technology in project phase is not yet used in a large volume of the production.</p>
<p>Summary: The Company has been researching new technology which is in pilot phase, in a bid to reduce the air pollution and polluted water and increase the fiber utilisation.</p>	

Appendix B: STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill 1 Checklist)

1. Evaluation of Participating site: Mill 1 (old factory) in Xinxiang city

Primary Responsible Person: (Responsible for control system at site(s))	Yao Yongxin, Vice production manager
Auditor(s):	Gaojun Zhao
People Interviewed, Titles:	<ul style="list-style-type: none"> - Han Shufa, Vice production manager of Xinxiang Group; - Yao Yongxin, Vice production manager; - Li Yao, pulp workshop supervisor; - Zuo Yutao, deputy supervisor of pulp workshop; - Shi Lei, technician in pulp workshop; - Tang Zhicheng, Pulp warehouse; - Shen Zhili, product warehouse; - Guo Xueli, product warehouse; - Chen Yan, supervisor of processing workshop; - Li Rumei, worker at processing workshop; - Zheng Haiming, OH&S, EHS manager;
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose filament rayon production and material and products storage without involvement in pulp sourcing.

2. Standard Checklist

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

demonstrate a similar commitment to implement it. **

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

Description of the finding:

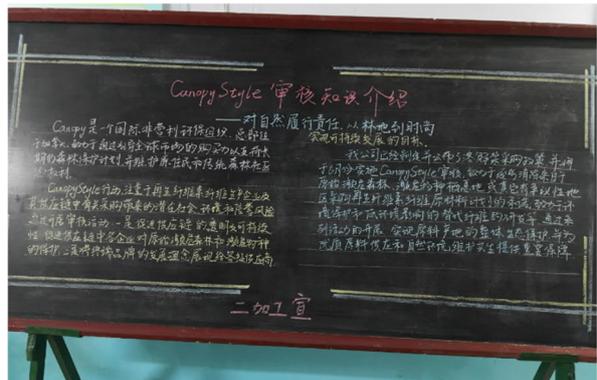
The policy was public on the website <http://www.bailu.cn/newsinfo/1294445.html>.

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

Training to middle and top management level, 8April2019;

Training to all relevant staff, 11June2019;

Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.



(Canopy introduction in bulletin board at workshop)

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

Conformance with Indicator:

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

Description of the finding:

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

The material from different suppliers can be clearly identified with identification card. The material with high risk was stored separately and documented.

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

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

Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fibre <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 does not involve in sourcing wood pulp sourcing.</p> <p>The material input and sales are documented. The production workshop and warehouse maintain records of the quantity of pulp from different suppliers every day. The warehouse keeps the records of production delivery.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fibre <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill has no sourcing activity of wood pulp.</p> <p>The mill maintains the delivery documents of wood pulp, including commercial invoice, packing list, bill of lading, certificate of origin, etc, according to the sourcing office. However, the forest of origin is not presented on these documentations.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill has no sourcing activity of wood pulp.</p>

	The certification code and claim is included on the commercial invoice and packing list from the suppliers, Borregaard AS, EKMAN & CO AB, etc.
2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.	<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 no sourcing activity of wood pulp.</p> <p>The corporate office maintains the records of annual purchase and sales.</p>
2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant	<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 delivery note from the company will carry FSC certificate code and claim according to their FSC procedure.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p>
<p>Summary: The mill does not involve in purchasing. The delivery documentations are maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified wood fiber. However, neither the delivery documentation from the suppliers nor that from the company dose not include the forest of origin.</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. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations.</p>

	<p>Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws. The Company 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 <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill has no sourcing activity of wood pulp.</p> <p>By interviews, the management of the mill demonstrated their understandings on 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 checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The assessment was conducted by sourcing department at headquarters.</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Risk assessment and supplier assessment were conducted by the group headquarter.</p> <p>Detailed findings please refer to section 2 of the checklist for Corporate Sourcing (headquarters)</p>

Summary: The interviews with the management links 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. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarter.

5. Actions if suppliers contravene criteria

Indicators	Findings
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Supplier performance monitoring program was conducted by the group headquarter.</p>
Summary: Supplier performance monitoring program was conducted by the headquarter.	

Appendix C: STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill 2 Checklist)

1. Evaluation of Participating site: Mill 1 (new factory) in Xinxiang city

Primary Responsible Person: (Responsible for control system at site(s))	Chen Xi'an, Vice production manager
Auditor(s):	Gaojun Zhao
People Interviewed, Titles:	<ul style="list-style-type: none"> - Han Shufa, Vice production manager of Xinxiang Group; - Chen Xi'an, Vice production manager - Li Xinting, pulp workshop supervisor; - Zuo Yutao, deputy supervisor of pulp workshop; - Zhang Limin, technician at pulp workshop; - Wang Dehou, Warehouse; - Zhang Wei, Warehouse; - Li Peng, product warehouse; - Xin Yaoyong, supervisor of filament yarn workshop; - Huang Zhen, Technician at filament yarn workshop; - Li Guangming, EHS manager;

Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose filament rayon production and material and products storage without involvement in pulp sourcing.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fibre Sourcing/Forest Policy

Indicators	Findings
------------	----------

<p>1.10 Key managers at each production site/mill 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:</p> <p>The policy was public on the website http://www.bailu.cn/newsinfo/1294445.html.</p> <p>The mill several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
<p>1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company shared the standard operational procedure with the mill that ensures the wood sourcing policy is implemented.</p> <p>The material from different suppliers can be clearly identified with identification card. The material with high risk was stored separately and documented.</p>

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

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fibre <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<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>This mill has no sourcing activity of wood pulp.</p> <p>The material input and sales are documented. The production workshop and warehouse maintain records of the quantity of pulp from different suppliers every day. The warehouse keeps the records of production delivery.</p>
2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fibre <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<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>This mill has no sourcing activity of wood pulp.</p> <p>The mill maintains the delivery documents of wood pulp, including commercial invoice, packing list, bill of lading, certificate of origin, etc, according to the sourcing office. However, the forest of origin is unknown on these documentations.</p>
2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>This mill has no sourcing activity of wood pulp.</p> <p>The certification code and claim is included on the commercial invoice and packing list from the suppliers, Borregaard AS, EKMAN & CO AB, etc.</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 has no sourcing activity of wood pulp.</p> <p>The corporate office maintains the records of annual purchase and sales.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>This mill has no sourcing activity of wood pulp.</p> <p>The delivery note from the company will carry FSC certificate code and claim according to their FSC procedure.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p>
<p>Summary: The mill does not involve in purchasing. The delivery documentations are maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified wood fiber. However, neither the delivery documentation from the suppliers nor that from the company dose not include the forest of origin.</p>	

<p>4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.</p>	
<p>Indicators</p>	<p>Findings</p>
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations.</p> <p>Auditor reviewed the legally required documents in China, such as business licence,</p>

	<p>environment impact assessment, export license, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws. The Company 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 <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill has no sourcing activity of wood pulp.</p> <p>By interviews, the management of the mill demonstrated their understandings on 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 checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The assessment was conducted by sourcing department at headquarters.</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Risk assessment and supplier assessment were conducted by the group headquarter.</p> <p>Detailed findings please refer to section 2 of the checklist for Corporate Sourcing (headquarters)</p>
<p>Summary: The interviews with the management links 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. Key managers of each position demonstrated awareness of definitions of</p>	

Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the headquarter.

5. Actions if suppliers contravene criteria	
Indicators	Findings
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Supplier performance monitoring program was conducted by the headquarter.</p>
Summary: Supplier performance monitoring program was conducted by the headquarter.	

Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

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

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

Recommendations for Xinxiang Bailu for continuous improvement

November, 2019

Canopy applauds Xinxiang Chemical Fiber (Bailu) for embarking on the verification process in June 2019, and for making significant steps in tracing forest fiber, engaging with suppliers, increasing FSC inputs, and eliminating sources of known high risk.

These are critical steps for eliminating key Priority Areas of Ancient and Endangered Forests and other controversial sources from the company's supply chain, and your company has made good progress.

Additional improvements can be made over time to fully implement Xinxiang Chemical Fiber (Bailu)'s policy commitment. Based on the review of the audit report, Canopy recommends the following next steps:

1. Scale up investments in research and development of viscose fibers that use a high proportion of recycled textile and/or agricultural waste with low environmental impacts. Develop targets and timelines for their use in commercial products.
2. Continue to engage with suppliers that show potential risk of sourcing from Key Priority Area of Ancient and Endangered Forests, and request that they further clarify and address risk in their supply chain;
3. Update the company's risk assessment of dissolving pulp suppliers to include an assessment of risk related to deforestation (plantations established after 1994), for suppliers that source from plantations;
4. Build on the company's initial action to support the conservation of a key landscape of hope in the Boreal Forest of Canada, to include advocacy for other key regions globally;
5. Request that all suppliers share their procedures for ensuring human rights are upheld (workers' right and Indigenous rights) and/or increased the amount of FSC certified pulp to ensure adherence to these rights;
6. It is also recommended that the organization not only request that suppliers achieve FSC certification, but also source materials with certification claims, with a preference for fibre from FSC certified forests (FSC 100%). This ensures that materials are coming from the certified scope of the supplier and supply chain.

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

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will be essential to ensure that Xinxiang Chemical Fiber (Bailu) continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

Once again, we congratulate you for the timely completion of the audit and for taking rapid steps to reduce risk in your supply chain. We look forward to working collaboratively with Xinxiang Chemical Fiber (Bailu) to address any outstanding issues.