

CanopyStyle Audit Report

for ACEGREEN ECO-MATERIAL TECHNOLOGY CO., LTD.

Assessment 2021

Evaluation date: April 27 2021

Report date: May 08 2021

Organisation Contact

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INTRODUCTION

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

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

The purpose of this report is to document performance of *AceGreen Eco-Material Technology Co.,Ltd* hereafter referred to as “Company”, against the requirements of the Verification Framework and Guidelines, (February 2021 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 320 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from Ancient and Endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

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

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

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

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

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

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

1. GENERAL DESCRIPTION

1.1 Company overview

Established in 2015, AceGreen Eco-Material Technology Co.,Ltd is 100% owned by Acelon Chemicals & Fiber Corporation. Acelon Chemicals & Fiber was founded in 1988 with primary production activity in chemical filament yarn including Polyester, Nylon 6, 66, Polypropylene, Functional Chemical Yarn, Recycle Chemical Yarn as well as Solution Dyed Yarn. AceGreen Eco-Material Technology Co.,Ltd is engaged in the production, operation, technology and product development of new solvent-based cellulose fibers (Lyocell). The major product types are Lyocell Filament, PP Melt-blown as well as Medical Mask. It has 3 production lines. The designed annual output is 1400 ADMT with an actual output in 2019 and 2020 are around 600 and 350 ADMT, respectively.

It holds a number of 3rd party certificate including:

- Bureau Veritas’s Carbon Footprint Verification certificate (TWN4576693CFP/E Rev.1 & TWN4576693CFPT/E Rev.3),
- Quality Management System Certification for manufacturing and sales of Lyocell filament (ISO 9001:2015),
- FSC COC certificate (BV-COC-136617).
- The company is also granted authorisation according to STANDARD 100 by OEKO-TEX to use the STANDARD 100 by OEKO-TEX mark.

1.2 Company scope (sites, locations, etc)

The headquarter is responsible for development and enforcement of the company sourcing policy and procurement of raw materials for the mill. It only has one mill which is responsible for manufacturing the cellulose fiber using Lyocell technology.

1.3 Company sourcing policy

The Company published their [Fibre Procurement Policy for Protecting Forests](#) being effective on 16th of June, 2020, and committed to:

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

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	100% wood pulp	

Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No Comments:
Mill Capacity:	Designed capacity is 1400 ton/year	
Primary Activity:	Lyocell filament yarn production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 87	Permanent female: 42
	Contract male:	Contract female:
	TOTAL:	129

Sites included in evaluation	Location
AceGreen Eco-Material Technology Co.,Ltd	No.50,Ln.20,Sec.1,Nantong Rd.,Ershui Towns, Changhua County, Taiwan

3. EVALUATION PROCESS

3.1 Audit Team

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

3.2 Audit Overview

Due to the on-going COVID-19 pandemic, the Corporate Verification Audit for this time is conducted remotely by desktop review and video conference/interview (taken place on 27-April-2021).

3.3 Description of Overall Audit Process

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

On **16 October 2020**, the audit started with an opening meeting **remotely** with the presence of management representative and the key staff from relevant departments. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. Also, the management representative gave a brief introduction of the Company and operation activities and the effort made on Canopy sourcing policy.

6 months following the opening meeting, the company was prepared for the audit, and the auditor interviewed the management team on **27 April 2021** remotely regarding action plan and any updates in regard of practises with Canopy policy commitment, Company structure, Canopy training, purchase policy, supplier management, research of alternative fibre, environment protection, forest protection, etc.

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

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 company uses FSC certification as a tool to control sourcing risks. The Company has provided training session to the staff at different levels and key managers are aware of the sourcing policy and definition of Ancient and Endangered forests.

The company has collected the information from the two suppliers and conducted risk assessments using Canopy's Forest Mapper and the certifications of suppliers. The Company has agreed to share the risk assessment of suppliers with the Leaders Group.

The Canopy sourcing policy has been communicated to the suppliers. The requirements to implement the policy have been included in the contract with both suppliers. The

company does give preference for FSC certification and has been purchasing FSC certified dissolving pulp.

The company has been researching and developing the technology of ultrafine cellulose fibre and its recycling process. The company has been also working together with a US company to develop and commercialize the world’s first recycled continuous filament lyocell for the industry. i.e. The US company will use its proprietary process to recover cotton pulp from “waste textiles” (the company defines cotton linter as waste textiles herein) and deliver the high-quality product to the Company for manufacturing into filament lyocell.

Areas for Improvement:

The Company has made significant attempts to collect information from their suppliers on forest or plantation of origin and understands the general regional sourcing area from both suppliers. The supply area identified for one supplier overlaps with Ancient and Endangered forests in both Indonesia and Malaysia. The company has determined low risk due to FSC certifications of suppliers in these areas of risk, but certification alone cannot conclude low risk of sourcing from Ancient and Endangered forests or other controversial sources.

Additionally, in 2019, Canopy shared an advice note that introduces a new tool (Dissolving Pulp Mill Classification) to be used in addition to the Forest Mapper when conducting risk assessments for sourcing from Ancient and Endangered forests. The new tool outlines commonly used dissolving pulp mills and a determination of risk considering priority Ancient and Endangered forests. The Company did not use this tool when conducting their own risk assessment. The company is sourcing from Oji Paper CO., LTD that the tool has identified as a source that cannot be confirmed as low risk.

In comparing the company risk assessment with the new Canopy classification tool, there are differing in risk results:

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Domsjo Fabriker	Low risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
OJI PAPER CO.,LTD. YONAGO mill	Low risk	Potential risk due to ownership connection with Asia Pulp and Paper.

The Company has made great efforts to conduct a risk assessment on sourcing from ancient and endangered sources as well as controversial sources, but more assessment is needed to conclude a risk determination.

4.2 Summary of findings

Rating	Color
Not Applicable	
Commitment Met	
Commitment in Progress	

Commitment Not Met	
Insufficient Information Available	

** Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy **	<i>Commitment met</i>
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	<i>Commitment in Progress</i>
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	<i>Commitment Met</i>
	1.4 The MMCF producer has developed capacity and company structure to implement the Policy.	<i>Commitment Met</i>
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	<i>Commitment in Progress</i>
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment in Progress</i>
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<i>Commitment Not Met</i>
	1.8 The MMCF producer has put in place a grievance procedure.	<i>Commitment Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Not Applicable</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment in Progress</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **	<i>Commitment in Progress</i>
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>

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

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

<p>and the rights of communities and workers affected by the operations of their supply chain and affiliated companies</p>	<p>implement Free, Prior and Informed Consent of indigenous people and local communities. **</p>	
	<p>7.2 Suppliers document how they conform with the MMCF producer’s commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **</p>	<p><i>Commitment in Progress</i></p>
	<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p><i>Commitment Met</i></p>
	<p>7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers</p>	<p><i>Commitment Met</i></p>
	<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **</p>	<p><i>Commitment in Progress</i></p>
<p>8. Development of Innovative and Alternative Fiber</p>	<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **</p>	<p><i>Commitment Met</i></p>
	<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p><i>Commitment Not Met</i></p>
<p>9. Voluntary advocacy for conservation solutions</p>	<p>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. **</p>	<p><i>Commitment in Progress</i></p>
	<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **</p>	<p><i>Not Applicable</i></p>

	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Not Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<i>Commitment Not Met</i>
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment in Progress</i>
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment in Progress</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment Not Met</i>
12. Pollution Prevention	12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released	<i>Not Applicable</i>

4.3 Volume Summaries⁵

Reporting period: 2019.1-2020.12

Category	Explanation	Volume	% Overall
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⁵ The volume summary is provided by the company.

FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	475.2 ADMT	41%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	530.8 ADMT	46%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).		
Non-FSC	Material received with no FSC claim.	158.4 ADMT	13%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)		

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

1. Evaluation of Site: the Corporate Verification Audit is conducted via desktop review remotely and one video conference/interview due to the COVID-19 pandemic.

Primary Responsible Person: (Responsible for control system at site(s))	Roger Chou Special Assistant – Management representative
Auditor(s):	Peiyong Zhou, Preferred by Nature
People Interviewed, Titles:	Roger Chou, Special Assistant – Management representative, R&D as well as Production representative. Eric Liang - Senior Specialist, Purchasing Department. Hank Lin - Deputy Section Manager, Production Department. Tim Chen - Factory Chief
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments: AceGreen Eco-Material Technology Co.,Ltd head office is responsible for development and enforcement of the company sourcing policy and raw materials procurement for the mill in Ershui Township, Changhua County, Taiwan.	

2. Standard Checklist

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

<p>1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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 made a public commitment to promote sustainable forest management and conserve Ancient and Endangered forests (effective on 16th June 2020). The policy was posted on the website: http://www.acegreen.com.tw/news/news_page_detail-161</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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 uses FSC certification as a tool to control sourcing risks. The company provided auditor the Documented Control System (DCS) for FSC COC including management procedures on raw materials procurement, production, storage as well as sales. The company also provided a supplier management procedure on evaluation of the suppliers, with the evaluation criteria mainly based on quality and goods delivery date. Whether the supplier has a system on reducing the GHG is included as one of the requirements. A purchasing practise procedure is also provided with Canopy fiber policy related documents required as part of the requirements. They are available upon request to stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Mr. Roger Chou, Special Assistant to the General Manager is assigned for the implementation of the policy. Other departments in the company all cooperate with Mr. Roger Chou to implement the policy.</p>

<p>1.4 The MMCF producer has developed capacity and Company structure to implement the Policy.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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: Organization chart has been provided during the audit, led by a special audit team under the President's Office, a management representative is assigned, and several departments are involved including a materials group under the General Manager's Office, R&D department, Production department, Business department etc. Therefore the company has demonstrated capacity to implement the policy. Interviews with found all relevant staff were aware of Canopy policy and their responsibilities.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: According to the company, they notified all suppliers the commitments via phone calls. Since no documented evidence was provided as a record of these phone calls, this indicator is graded as Commitment in Progress.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: According to the opening meeting held in October 2020, the company planned to add the requirements to implement the policy in the agreements/contracts with current and future suppliers at the earliest in December 2020. Both suppliers have signed the commitment letters with the company in terms of upholding and implementing the fiber policy. In addition, the commitment letter will be enclosed to the new contract with suppliers. The company provided 2 newly signed commitment letter with OJI for their new</p>

	<p>procurement but has yet to provide evidence of adding these commitment letters to agreements/contracts with suppliers.</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 type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has provided a supplier evaluation procedure that mainly focus on the supplier quality (i.e. the FSC COC procurement management procedure). The company also provided a supplier management procedure on evaluation of the suppliers, with the evaluation criteria mainly based on quality and goods delivery date. Whether the supplier has a system on reducing the GHG is included as one of the requirements. In addition, a purchasing practise procedure is also provided with Canopy fiber policy related documents required as part of the requirements. At the time of the audit, no evidence is provided to confirm that the company has developed and is implementing a system to monitor supplier conformance with the policy.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company provided the FSC COC grievance management procedure during the audit. In addition, the official website of the company provided mailbox as well as telephone number to receive any grievance. No Canopy related grievance procedure is provided during the audit.</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 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>No complaints have been received, and no non-conformance has yet been recognized as this is the first CanopyStyle audit.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<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 organized training sessions on the policy and Canopy requirements in February 2021.</p> <p>The interviews to relevant staff in corporate office and mill demonstrated they are fully aware of the policy and were able to explain to the auditor how they should implement the policy.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill and headquarter are located together. The SOPs provided by the head office are FSC COC's Documented Control System (DCS), a supplier management procedure on evaluation of the suppliers, with the evaluation criteria mainly based on quality and goods delivery date, as well as a purchasing practise procedure is also provided with Canopy fiber policy related documents required as part of the requirements.</p>
<p>Summary: The Company made a public commitment to promote sustainable forest management and conserve Ancient and Endangered forests (effective on 16th June 2020). The company mainly uses FSC certification as a tool to control sourcing risks. Organization chart has been provided during the audit, led by a special audit team under the President's Office, a management representative is assigned, and several departments are involved including a materials group under the General Manager's Office, R&D department, Production department, Business department etc. Interviews with found all relevant staff were aware of Canopy policy and their responsibilities. Both suppliers have signed the commitment letters with the company. In addition, the commitment letter will be enclosed to the new contract with suppliers. At the time of the audit, no evidence is provided to confirm that the company has developed and is implementing a system to monitor supplier conformance with the policy. The Company organized training sessions on the policy and Canopy requirements in February 2021. The interviews to relevant staff in corporate office and mill demonstrated they are fully aware of the policy and were able to explain to the auditor how they should implement the policy.</p>	

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

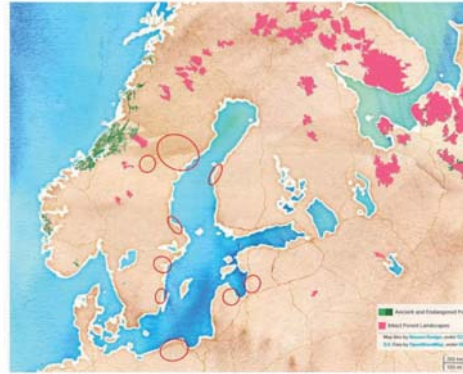
Indicators	Findings
<p>2.1 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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 provided a list of 2 dissolving pulp suppliers at the time of this audit. The Company has assessed all supply chain partners to the sourcing policy by using the Forest Mapper only.</p> <p>The internal assessments result on whether they source from Ancient & Endangered Forests as well as is there a chance that the fiber input sourced from Ancient and Endangered forests or other controversial areas, the results provided from the supplier show as:</p> <p>Domsjo Fabriker – “No, We do not source from Ancient or Endangered forests, nor from other controversial material or areas.”</p> <p>OJI PAPER CO.,LTD. YONAGO mill – “ NO. The origin of their chips are their plantation.”</p> <p>Both Domsjo and Oji Paper provided the evidence on disclosure of their approximate sourcing of origin (see 2.2 below), i.e. the map where forest of origins areas are disclosed by using the Canopy ForestMapper tool. The company declares that they used the forest mapper but comes to a different conclusion of low risk (due to FSC sourcing) where there is overlap with Ancient and Endangered forests.</p> <p>However, FSC certification alone does not determine low risk for sourcing from Ancient and endangered forests and this audit finds that not all materials sourced are being received with FSC claims.</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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>

Description of the finding:

The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known.

Domsjo provided the approximate forest of origins info by using the Canopy ForestMapper Tool.

Canopy ForestMapper of northern Europe/Baltic Sea region. Ancient & Endangered forests are shown as green areas and Intact Forest Landscapes as pink areas. The red circles indicate the origin of our wood procurement:



Domsjö Fiber is a daughter company of Domsjö Fabriker and the sole provider of raw

The forests of origin info are provided up to country/sub-national level, where exact details of forests info are still not clear. According to Domsjo, the wood procurement is strictly regulated by FSC and PEFC regulations as well as current laws and regulations. Their fibre sourcing policy clearly states that wood harvested in Ancient or Endangered forests nor IFL areas are not accepted or allowed. In addition, according to the dissolving pulp classification tool, Domsjo is graded as low risk as no sourcing issues identified based on current information and/or CanopyStyle audit.

Oji Paper also provided the approximate forest of origins info by using the Canopy ForestMapper Tool:

Canopy ForestMapper of Southeast Asia region. Ancient & Endangered forests are shown as green areas and Intact Forest Landscapes as pink areas.

The red circles indicate the origin of our wood procurement:



The supply chain map can be traced back to the wood chip suppliers - KTH from Indonesia and SSB from Malaysia - both FSC certified companies (KTH: "SGS-CW/FM-009866" and "SGS-COC-009871"

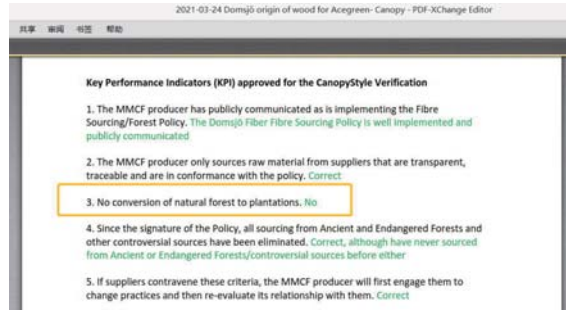
SSB: "SCS-FM/COC-00101P" and "SGS-COC-008500").

	<p>The company has declared KTH as their supplier (Canopy sourcing form), but according to OJI's declaration, KTH provides 90% of inputs and SSB provides the other 10%. The search on FSC database finds that KTH FSC CW/FM certification and SSB has FSC/FM. Purchasing docs from OJI indicated that there are non-certified, FSC CW and FSC Mix Credit pulp received by ACEGREEN, so it is more likely that SSB is indeed involved in the supply chain. According to the ForestMapper result, there are Ancient & Endangered forests overlapping in KTH's and SSB's plantation area.</p> <p>Oji Paper declares that their wood procurement is strictly regulated by FSC regulation as well as relevant laws and regulations. The wood raw materials procurement guideline of Oji Paper also states that wood harvested in ancient or endangered forests nor IFL areas are not accepted or allowed.</p> <p>However, FSC certification alone does not determine low risk for sourcing from Ancient and endangered forests and controversial sources. Also, this audit finds that not all materials sourced from Oji are being received with FSC claims.</p>
<p>2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>This is the 1st time CanopyStyle audit at the company. The company is aware that the assessments shall be updated annually.</p> <p>By the time during the audit, the assessments have been shared with Canopy. The company is willing to share also with the Leaders Group.</p>
<p>2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company provided a questionnaire with the 2 suppliers named "Key Performance Indicators approved for the CanopyStyle Verification", in which 2 suppliers answered</p>

	<p>the questions in regard of human risks, planation conversion from natural forests.</p> <p>No specific requirements and or evaluation content on legality, violation of human risks and risk related to the conversion of natural forests to plantations (1994 date), as well as use of GMO are developed to complete the risk assessment.</p>
<p>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Confirmed by the company that for the time being, it's not convenient to disclose the supplier's info publicly. The company will reply to Canopy as soon as they discussed with their suppliers in terms of certain aspects. In addition, during the audit, no evidence is provided in regard of a robust track and trace system that can be used throughout the supply chain for their customers.</p>
<p>Summary: The Company provided a list of dissolving pulp suppliers and has assessed all supply chain partners to the sourcing policy by using the Forest Mapper. However, the organization has determined a different risk rating for one supplier. The internal assessments results are not fully in line with the results shown from the Canopy Dissolving Pulp Classification Tool or audit results. Both Domsjo and Oji Paper provided the evidence on disclosure of their approximate sourcing of origin, i.e. the map where forest of origins areas are disclosed by using the Canopy ForestMapper tool. There is clear overlap with Ancient and Endangered forests in Indonesia and Malaysia. No specific requirements and or evaluation content on legality, violation of human risks and risk related to the conversion of natural forests to plantations (1994 date), as well as use of GMO are developed to complete the risk assessment. The company relies on FSC certification. Confirmed by the company that for the time being, it's not convenient to disclose the supplier's info publicly. In addition, during the audit, no evidence is provided in regard of a robust track and trace system that can be used throughout the supply chain for their customers.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>For Domsjo, the company's internal risk assessment shows that no wood harvested</p>

from plantations. In addition, Domsjo also claimed that there is no conversion of natural forest to planation in their operation.



In addition, according to the previous Rainforest Alliance CanopyStyle Verification and Guidelines Evaluation Report for Domsjo in 2017, in terms of plantation, within the Domsjo supply area forests, notably softwoods, are generally regenerated though planting, but are not considered plantations (per FSC) given the retention of ecological elements, diversity retentions... etc. Therefore, conversion risk of natural forest or natural grasslands to forest is virtually non-existent and considered not applicable.

For Oji Paper, the company’s internal risk assessment shows that the wood chips are sourcing from KTH from their Indonesia plantation. However, the upper stream evidence provided from OJI Paper indicated that another supplier SSB from Malaysia is also involved in wood chip supply. KTH was established in 1998. Their current harvesting cycle is around 5-7 years. Both KTH and SSB are certified plantations (KTH: SGS-CW/FM-009866 and "SGS-COC-009871;SSB:SCS-FM/COC-00101P and SGS-COC-008500). Note that KTH holds Controlled Wood FM certification only, which does not require plantations to be established pre-1994.

Summary:

For Domsjo, the company’s internal risk assessment shows that no wood harvested from plantations. In addition, Domsjo also claimed that there is no conversion of natural forest to planation in their operation.

For Oji Paper, the company’s internal risk assessment shows that the wood chips are sourcing from KTH from their Indonesia plantation. However, the upper stream evidence provided from OJI Paper indicated that another supplier SSB from Malaysia is also involved in wood chip supply. KTH was established in 1998. Their current harvesting cycle is around 5-7 years. Both KTH and SSB are certified plantations however KTH is certified to the FSC Controlled Wood FM standard which does not require plantations to be established pre-1994.

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

value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**

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

Description of the finding:

The Company's policies include the definitions of Ancient & Endangered forests, intact forests, and controversial sources as the CanopyStyle framework.

4.2 All areas meeting the definition of "Ancient and Endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group.**

Conformance with Indicator:

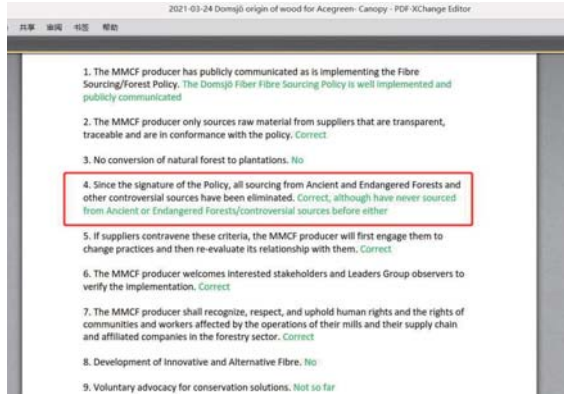
- Not Applicable
- Commitment Met
- Commitment in Progress
- Commitment Not Met
- Insufficient Information Available

Description of the finding:

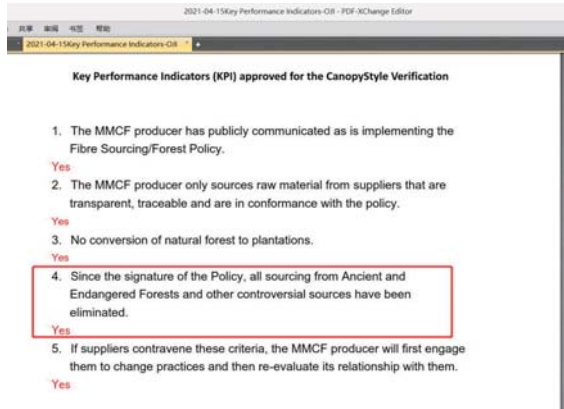
Both the 2 suppliers of the company (Domsjo and Oji Paper) provided the maps on their approximate forests of origin area (details kindly refer to indicator 2.2).

Both Domsjo and Oji Paper claimed that since the signing of the Policy, any other controversial sources have been eliminated.

Domsjo's claim:



Oji Paper's claim:



	<p>However, there is clear overlap of Ancient and Endangered forests in Indonesia and Malaysia. Additionally, there is no evidence that the company has assessed the risk of sourcing from controversial sources in addition to Ancient and Endangered forests. The company uses certification as risk mitigation and evidence of compliance, but not all materials are sourced as certified (see finding 3.1).</p> <p>All info has been shared with Canopy via this audit. The company is willing to share with the Leaders Group.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from Ancient and Endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <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: No such materials have been identified as of this audit. 1 supplier (Oji Paper) has potential risk noted, but this has not been confirmed.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The interviews to the management confirmed they were aware all relevant laws and regulations. The auditor reviewed the legally required documents such as business registration certificate. There is no news or information disclosed that the organization is non-compliance with national and international laws. The Company holds a number of 3rd party certificates including Carbon Footprint Verification certificate (TWN4576693CFP/E Rev.1 & TWN4576693CFPT/E Rev.3), Quality Management System Certification for manufacturing and sales of Lyocell filament (ISO 9001:2015), FSC COC certificate (BV-COC-136617). The company is also granted authorisation according to STANDARD 100 by OEKO-TEX to use the STANDARD 100 by OEKO-TEX mark.</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</p>

	<input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The company has conducted their initial risk assessment on their supply chains to understand the risk of sourcing from Ancient and Endangered forests and other controversial sources. However, not all suppliers can be verified as low risk. Note findings in 4.1-4.4 above.
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Summary:

The MMCF producer has adopted clear definitions for the terms included in their Policy. Both the 2 suppliers of the company (Domsjo and Oji Paper) provided the maps on their approximate forests of origin area (details kindly refer to indicator 2.2). There are clear areas of overlap with Ancient and Endangered forests in Indonesia and Malaysia. Additionally, no evidence showed the company has assessed the risk of sourcing from controversial sources in addition to Ancient and Endangered forests. Not all suppliers can be verified as low risk.

The MMCF producer is aware of all relevant local and international laws and there is no evidence of non-compliance, with local or international laws. The company uses certification as risk mitigation and evidence of compliance.

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> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known. The exact information in terms of forest of origins for each pulp supplier are not known. Detailed assessment please refer to findings on indicator 2.2</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> <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: In the published sourcing policy, it stated that "if suppliers contravene these criteria,</p>

	<p>we will first engage them to change practices and then re-evaluate our relationship with them if we find that fibre is coming from sources that do not meet this policy.” Both suppliers have signed the commitment letters with the company in terms of upholding and implementing the fiber policy. The commitment letter will be enclosed to the new contract with suppliers.</p> <p>During the audit, a purchasing practise procedure is also provided with Canopy fiber policy related documents required as part of the requirements, however, no specific required procedure is provided from the company .</p> <p>The company provided 2 newly signed commitment letters with OJI for their new procurement updated on 14 Apr and 06 May 2021, respectively.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This is the first audit, and no non-conformance has yet been found.</p>
<p>Summary: All dissolving pulp mills are identified. The exact information in terms of forest of origins for each pulp supplier are not known. Detailed assessment please refer to findings on indicator 2.2 No procedure is provided in dealing with suppliers’ non-conformance at the time of the audit. This is the first audit, and no non-conformance has yet been found.</p>	

6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	
Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.</p>

	<p>This indicator is graded as "Not Applicable" due to the fact that no such requests have been made to date.</p>
<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of Ancient and Endangered forests. However, there are Ancient and Endangered forest identified in the sourcing area for one supplier, so additional verification is required.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of Ancient and Endangered forests. However, there are Ancient and Endangered forest identified in the sourcing area for one supplier, so additional verification is required.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>This indicator is only required when company's sourcing has been verified as key priority areas of Ancient and Endangered forests. However, there are Ancient and Endangered forest identified in the sourcing area for one supplier, so additional verification is required.</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> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: This indicator is only required when company's sourcing has been verified as key priority areas of Ancient and Endangered forests. However, there are Ancient and Endangered forest identified in the sourcing area for one supplier, so additional verification is required.
Summary: The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. Indicator 6.2-6.5 are only required when company's sourcing has been verified as key priority areas of Ancient and Endangered forests. This verification has not yet been completed, and therefore these criteria will be re-assessed at the next audit.	

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
7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	Conformance with Indicator: <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 requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. Sourcing policy has been developed and posted on the company's website: http://www.acegreen.com.tw/news/news_page_detail-161 . Both suppliers have signed the commitment letters with the company in terms of upholding and implementing the fiber policy. The commitment letter will be enclosed to the new contract with suppliers. Domsjo provided its sustainability report (2018.4-2019.3) in which Domsjo managed to implementing the FPIC of the local communities:

	<p>c) <i>State, authorities, local community</i></p> <p>Domsjö Fabriker is located in Örnsköldsvik, Sweden. The local community is engaged through:</p> <ul style="list-style-type: none"> • Transparent communication through media to inform local communities on any changes in the business, anything from temporary noise to new production lines and products. • Consultations with local residents whenever a change in the business requires a notification according to Seveso Directive or permit under the Environmental Code. • Support programs for schools. • Process of attending to complaints from local bodies. • Meetings with municipality administration and other authority bodies. • Engagement in the local Chambers of Commerce. • Engagement in the Örnsköldsvik Industry Group in cooperation with other local industry related companies. • Engagement in the Swedish Forest Industries association • Cooperative relation with Företagsutbildarna (business trainers) <p style="text-align: right;">Page 28 (34)</p> <p>As for procedures and systems, both suppliers are FSC certified, but one of them also supplied non-certified dissolving pulp (details kindly refer to indicator 3.1). This indicator is therefore being graded as in progress.</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</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>Both suppliers provided the KPI Performance Indicators in which they confirmed they shall recognize, respect, and uphold human rights and the rights of communities and workers affected by the operations of their mills and their supply chain and affiliated companies in the forestry sector.</p> <p>Oji Paper:</p> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;"><i>Key Performance Indicators (KPI) approved for the CanopyStyle Verification</i></p> <ol style="list-style-type: none"> 1. The MMCF producer has publicly communicated as is implementing the Fibre Sourcing/Forest Policy. <i>Yes</i> 2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy. <i>Yes</i> 3. No conversion of natural forest to plantations. <i>Yes</i> 4. Since the signature of the Policy, all sourcing from Ancient and Endangered Forests and other controversial sources have been eliminated. <i>Yes</i> 5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them. <i>Yes</i> 6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation. <i>Yes</i> <li style="border: 2px solid red;">7. The MMCF producer shall recognize, respect, and uphold human rights and the rights of communities and workers affected by the operations of their mills and their supply chain and affiliated companies in the forestry sector. <i>Yes</i> 8. Development of Innovative and Alternative Fibre. <i>Yes</i> 9. Voluntary advocacy for conservation solutions. <i>Yes</i> 10. Responsible forest management. <i>Yes</i> 11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses. <i>Yes</i> 12. Pollution Prevention. <i>Yes</i> </div> <p>Domsjö:</p>

Key Performance Indicators (KPI) approved for the CanopyStyle Verification

1. The MMCF producer has publicly communicated as is implementing the Fibre Sourcing/Forest Policy. *The Domsjö Fiber Fibre Sourcing Policy is well implemented and publicly communicated*
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy. *Correct*
3. No conversion of natural forest to plantations. *No*
4. Since the signature of the Policy, all sourcing from Ancient and Endangered Forests and other controversial sources have been eliminated. *Correct, although have never sourced from Ancient or Endangered Forests/controversial sources before either*
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them. *Correct*
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation. *Correct*
7. The MMCF producer shall recognize, respect, and uphold human rights and the rights of communities and workers affected by the operations of their mills and their supply chain and affiliated companies in the forestry sector. *Correct*

Domsjo also provided its sustainability report (2018.4 -2019.3) in which Domsjo documented how they comply with the Company’s commitment recognize and respect human rights, community rights, First Nations rights and rights of workers. More information is provided at Domsjo’s website:

<http://www.domsjo.adityabirla.com/en/sidor/Sustainability.aspx>

For example, on the rights of workers:

XII. Social responsibilities

1. Employment

Various benefits to the employees are provided to encourage continued association with the organization. Examples of benefits to all employees, regardless of full-time or temporary, include life insurance, disability related benefits, retirement related support, paid holidays (additional to regular leaves), parental leave, marriage leave and bereavement leave. Further full time employees receive benefits related to healthcare services. The company believes in encouraging health and wellness amongst its employees.

In FY19, Domsjö Fabriker had a total of 393 permanent and 11 temporary employees. 27 new permanent employees were recruited and 44 permanent employees left, mainly due to retirement, see also figure 9. All employees employed by Domsjö Fabriker have a labour contract and a collective agreement in accordance with Swedish laws.

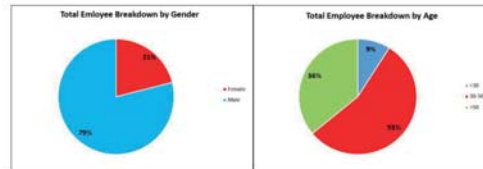


Figure 9: Percentage of permanent employees by gender and age.

Page 25 (34)

a) Wellness

Many wellness activities have been organised during the year. The employees have been offered to attend dance courses, skiing classes as well as running events. Free lunch seminars have also been offered with a variety of wellness themes.

As in previous years, access to free exercise activities at Brux Sports Centre to all our employees is offered, an opportunity that many use during lunches as well as evenings. It has also been quite popular for the employees to use the benefit of free swimming at Örnsköldsvik swimming hall.

b) Training and Education

Domsjö Fabriker regards the employees as its greatest asset and works closely with the employees to attend to their needs of continuous development. An introductory program is developed for each new employee in consultation with their respective managers. The company also conducts role-specific trainings on health, safety and environmental topics. A goal is 2 % of the employees’ working time is used for training.

In FY 19 training of permanent employees was 1.6 % of total man-hours which is below normal level for a year. Some of the mandatory trainings for the employees include specific health, environment and safety related topics. Apart from this, introduction trainings for new employees, as well as specific trainings for particular job requirements (essential skills for performing duties), are mandatory. Each manager is responsible for ensuring that the employees have the right type of as well as sufficient training. To make it easier to manage, HR has put great effort to create a training matrix and special proficiencies for each position. By using this system the education need is visualized and training programs can be coordinated between HR-department and managers.

2. Occupational Health and Safety

Healthy and safe employees are vital for operational efficiency and sustenance. It is important that employees feel safe at work in Domsjö Fabriker, knowing that all their concerns are listened to and addressed at the highest level within the organization. The company works closely with employees to have optimum representation in various occupational health and safety committees in order to ensure that everyone is heard and solutions are developed to provide a safe working environment to all staff.

Indicators related to safe working environment are closely monitored. The occupational health, safety, environment and quality department, HSEQ, monitors and develops systems to ensure a safe working environment. Every accident, first aid, near miss incident and safety observation is documented and reasons, consequences and possible actions are investigated in order to prevent future incidents. Safety audits are conducted every quarter and risk analysis and assessments are carried out periodically. No employee or contract worker faced any fatalities during FY19. The injury rate has improved compared to previous results, see table 12.

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Table 12: Safety at work

Indicator	Quantity FY16	Quantity FY17	Quantity FY18	Quantity FY19
LTIFR (Lost time incidents frequency rate)*	15.5	15.0	7.4	18.4
Lost Time Injuries	10	9	5	12
Lost days	292.1	115.2	67.2	113.2
Safety indicator	3.9	8.6	7.5	5.0

* This calculation is made by the following formula: (1,000,000 / number of hours worked in 12 months) x number of accidents in 12 months.
 * Safety indicator = (Near hit+risk observation)/(lost time accident+zero accident)

Domsjö Fabriker works systematically with working environment according to AFS 2001:01 as well as the Safety management system according to Seveso Directive (Directive 2012/18/EU). The formal agreement with trade unions comprises health and safety topics including regulation of work hours schedule, leave for medical appointments, agreement on sick leaves, rights to holidays and contribution to good order and safety.

Oji Paper also provided its 2020 Oji Group Integrated Report extract, where they documented how they implemented to respect human rights, community rights and rights of workers:

For instance, for human rights:

Oji Group Human Rights Policy

The Oji Group recognizes respect for human rights as a global code of conduct and we established the Oji Group Human Rights Policy as our basic stance on human rights. We will continue to make further efforts to respect human rights, respect the diverse values of individuals, and contribute to the realization of a society where everyone can manifest their abilities to the fullest.

This policy applies to all executives and employees of the Oji Group and is reflected in all business activities. Moreover, we expect all stakeholders of the Oji Group to kindly understand and comply with this policy.

1. Basic Principles

We support and respect international norms such as the International Bill of Human Rights (the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights)² and the ILO Declaration on Fundamental Principles and Rights at Work³, based on the United Nations Guiding Principles on Business and Human Rights⁴.

Moreover, the Group has signed the United Nations Global Compact and supports its 10 principles including human rights. This policy is formulated based on expert advice from inside and outside the Group.

2. Human Rights Due Diligence

To fulfill our responsibility of respecting human rights in accordance with the procedures described in the United Nations Guiding Principles on Business and Human Rights, we will develop a human rights due diligence system taking into account the perspective of our stakeholders, and will continuously work to identify, prevent, alleviate, and remedy the negative effects on human rights that are caused or exacerbated through our business activities as well as the negative effects that may be directly related to our business activities, products, or services through our business relationships.

The Oji Group will provide suitable education to all executives and employees to promote understanding and effective implementation of this policy.

3. Remedy

If it becomes evident that we are causing, are exacerbating, or are directly involved in negative effects on human rights, we will engage in dialogue with those concerned and strive to remedy the situation through appropriate procedures.

If the laws and regulations of a country differ from international human rights norms, we will adhere to the higher standard, and if they contradict each other, we will respect internationally recognized human rights to the maximum extent and prioritize dealing with the most serious negative effects.

The Oji Group operates a Business Ethics Help Line for consultation and reporting that is open to all executives and employees as a mechanism for handling complaints in accordance with our guiding principles. We also respond to reports from outside the Group through our Compliance Contact Point on Contact us of the Oji Holdings website.

4. Information Disclosure and Dialog

The Oji Group discloses and reports on the progress of our human rights initiatives on our website and

Both suppliers hold certifications and have provided sourcing policies. However, during the audit, it was found that FSC certified claims are not always being received on all materials. This indicator is therefore graded as 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.

Conformance with Indicator:

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

Description of the finding:

The company is FSC certified and also has a grievance operation procedure featured for FSC COC to accept and handle complaints. The 2 suppliers Domsjo and Oji Paper 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.

7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.

The company is FSC certified and also has a grievance operation procedure featured for FSC COC to accept and handle complaints. The 2 suppliers Domsjo and Oji Paper 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.

- Conformance with Indicator:**
- Not Applicable
 - Commitment Met
 - Commitment in Progress
 - Commitment Not Met
 - Insufficient Information Available

Description of the finding:
 This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union, the Occupational Safety and Health Management Regulations.
 Below is the snapshot from the Occupational Safety and Health Management Regulations:

聚泰環保材料科技股份有限公司

職業安全衛生管理規章

文件編號 : GPP03
 版本 : A-0
 擬 案 : 周紹銘
 審 查 : 陳金豆
 核 准 : 黃坤山

文件修訂更履歷			
版 次	修 訂 理 由 · 內 容 摘 要 (或 DOC NO.)	修 訂 頁 次	修 訂 日 期
A-0	新發行	—	108.6.12

文件發行受文單位:計 1 份										發行管制章	
單 位 份	廠 務 室	電 子 發 行									
1											

In the supplier management procedure on evaluation of the suppliers, whether the supplier has a workers' rights mechanism in place is one of the requirements.

The company is FSC certified. All workers have signed labour contracts and the company pays for their social insurance.

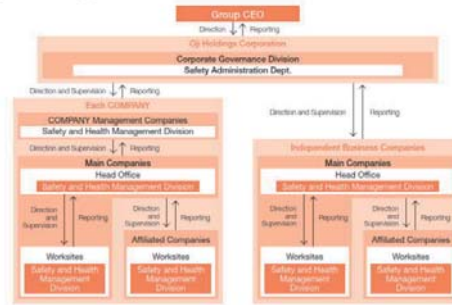
Domsjo provided its Sustainability Report (2018.4-2019.3) in which Domsjo

documented how they comply with the Company's commitment to respect the rights of workers. (kindly refer to indicator 7.2 for details).

Oji Paper also provided its 2020 Oji Group Integrated Report extract, in which they introduced their efforts in respecting the rights of workers:

Safety and Health Management Structures

Oji Group Safety and Health Management Structures aim to prevent occupational accidents and maintain and promote the good health of Group employees, affiliates, and business operators who enter the Group's premises on a temporary basis, and also clarify responsibilities relating to safety and health. It stipulates fundamental matters in the Group Safety and Health Management Rules.



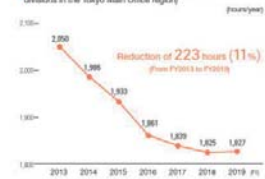
Oji Group Integrated Report 2020

Promotion of Working Style Reforms

Reduction of total working hours and promotion of operational efficiency

The Group has been implementing business reforms to reduce overtime work and total working hours. Use of flex-time systems as flex-time system with a three-month settlement period was introduced from FY2019, setting limits on overtime work, enabling full transfer of time off when work is performed on holidays, encouraging employees to take annual paid leave, promoting flexible working styles, and other measures.

Reduction of total working hours (28 Oji Group companies and divisions in the Tokyo Main Office region)



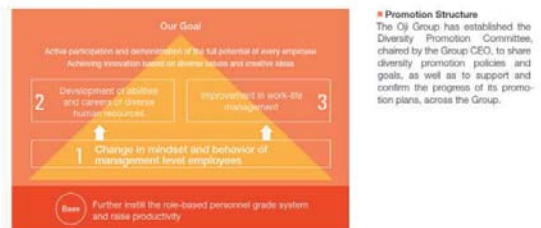
Initiatives to establish personnel systems for promoting working style reforms

In order to reliably carry out the tasks in line with the management strategy, we are working to establish a personnel system that enhances the effectiveness of working style reforms.

- **Role-based personnel grading system**
Each employee is evaluated based on whether or not he/she has fulfilled his/her clarified roles. The appropriateness of evaluations is confirmed once each year and strict implementation is undertaken. Training is conducted to raise evaluation levels. Suitable people are appointed to the right position based on the evaluation results.
- **Certified researcher system and creative personnel development system**
To promote the creation of innovative value, the Group grants researchers with particularly high levels of specialized knowledge discretion regarding their work styles and provides working environments that allow them to focus on research.
- **Retirement at age 65**
Introduced in FY2017 to enable employees to demonstrate their knowledge, skills, and abilities to the fullest and work with enthusiasm.
* Introduced at all Group companies.

Promotion of Inclusion & Diversity

Oji Group strives to carry out initiatives that enable its diverse human resources to actively assume roles at work regardless of gender, age, disability, or nationality, ultimately strengthening the Group's competitiveness with their diverse values and ideas.



Since both suppliers are FSC COC certified which could support the conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope.

Conformance with Indicator:

- Not Applicable
- Commitment Met
- 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


<p>Rights at Work and will require the equivalent of their own suppliers.</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts with the suppliers.</p> <p>Both suppliers are FSC certified companies, which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>In the supplier management procedure on evaluation of the suppliers, whether the supplier has a workers' rights mechanism in place is one of the requirements. However, the company has not developed effective procedure to verify if the suppliers has developed similar procedure to its own suppliers.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Recognition and respect for human right is included in the Company's policy.</p> <p>Also, the company is FSC certified, which could mean that they have signed the Policy for Association, which declared that they are not involved in activities that violate human rights. Within the Company, there is a labour union which actively engages in the management of the Company.</p> <p>The Company and all suppliers are FSC COC certified. However based on the sample batches of transaction evidence provided to the auditor, there is <i>non-certified</i> dissolving pulp purchased by the company in Feb 2020 from Oji Paper (Contract number: OJI-Y-GR-A0005, no certification info and claim shown on the invoice, which lower the confidence in this regard.</p> <p>This indicator is a summary requirement of 7.1-7.5 and thus is being graded as in progress.</p>
<p>Summary: Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. The company provided the sample agreements with the requirements of the Policy to its suppliers (Ekman and Oji Paper) during the audit.</p>	

Domsjo provided its sustainability report and Oji Paper provided their integrated report extract as evidence in respecting the human rights, right of workers, community's right, etc. All suppliers are FSC certified companies, and which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. However, there is one procurement record checked during this audit from Oji Paper does not have relevant claim, which lower the confidence in this regard. The Company holds FSC certification.

8. Development of Innovative and Alternative Fiber

Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>1. The company provided their update on the research and development technology of ultrafine cellulose fibre and its recycling process:</p> <div data-bbox="805 981 1369 1305" data-label="Image"> </div> <p>2. The company has been working together with a US company to develop and commercialize the world's first recycled continuous filament lyocell for the industry. i.e. The US company will use its proprietary process to recover cotton pulp from waste textiles (the interviewed confirmed that the waste textile herein as in recycled cotton) and deliver the high-quality product to the Company for manufacturing into filament lyocell. The company provided the signed and dated MOU.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding: Both 2 research are still under the R&D phase and haven't been entered into a commercial phase.</p>
<p>Summary: The company provided their update on the research and development technology of ultrafine cellulose fibre and its recycling process. In addition, the company has been researching on adding recycled cotton, clothes by using the cotton linters from the US to produce different styles of products. Both 2 research are still under the R&D phase and haven't been entered into a commercial phase.</p>	

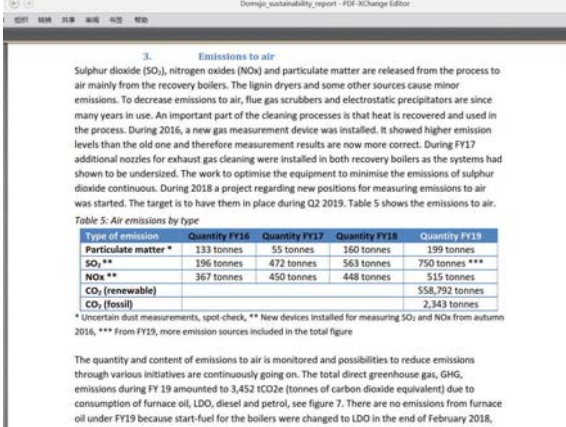
9. Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining Ancient and Endangered forests. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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 been engaging and supporting the events and activities held by The Society of Wilderness, the largest organization under Taiwan Environment and Forest Conservation Association.</p>  <p>The company is also proactively searching for other opportunities in taking part in any international events and / or taking actions that support collaborative and visionary system solutions that aim to protect remaining Ancient and Endangered 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 checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization requested all suppliers make commitments on FPIC of indigenous people and local communities, but since the</p>

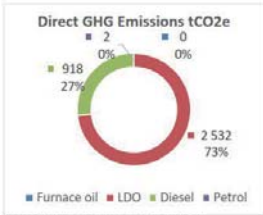
<p>9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p>company hasn't been prompted, this indicator is graded as Not Applicable.</p> <p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company has not participated in large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas.</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 type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The MMCF producer didn't implement or participate any specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.</p>
<p>Summary: The company has been engaging and supporting the events and activities held by The Society of Wilderness, the largest organization under Taiwan Environment and Forest Conservation Association. The company requested all suppliers make commitments on FPIC of indigenous people and local communities, but the company hasn't been prompted yet.</p>	

10. Responsible forest management	
Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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 does give preference for FSC certification and has been purchasing FSC certified dissolving pulp. Note: the samples</p>

	<p>which auditor checked during the audit also found non-FSC/ certified dissolving pulp from Oji Paper.</p> <p>So far, there is no action plan to increase the FSC intake. According to the company, there will be an action plan to increase FSC intake when the production capacity increases.</p>
<p>Summary:</p> <p>The company does give preference for FSC certification and has been purchasing FSC certified dissolving pulp. Note: the samples which auditor checked during the audit also found non-FSC/ certified dissolving pulp from Oji Paper.</p> <p>So far, there is no action plan to increase the FSC intake. According to the company, there will be an action plan to increase FSC intake when the production capacity increases.</p>	

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

Indicators	Findings																														
<p>11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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 provided a supplier management procedure on evaluation of the suppliers, with the evaluation criteria mainly based on quality and goods delivery date. Whether the supplier has a system on reducing the GHG is included as one of the requirements.</p> <p>Domsjo's Sustainability Report (2018.4 – 2019.3) provided their performance on reducing GHG:</p>  <table border="1" data-bbox="877 1624 1300 1713"> <caption>Table 5: Air emissions by type</caption> <thead> <tr> <th>Type of Emission</th> <th>Quantity FY16</th> <th>Quantity FY17</th> <th>Quantity FY18</th> <th>Quantity FY19</th> </tr> </thead> <tbody> <tr> <td>Particulate matter *</td> <td>133 tonnes</td> <td>53 tonnes</td> <td>150 tonnes</td> <td>190 tonnes</td> </tr> <tr> <td>SO_x **</td> <td>196 tonnes</td> <td>472 tonnes</td> <td>563 tonnes</td> <td>750 tonnes ***</td> </tr> <tr> <td>NO_x **</td> <td>367 tonnes</td> <td>450 tonnes</td> <td>448 tonnes</td> <td>515 tonnes</td> </tr> <tr> <td>CO₂ (renewable)</td> <td></td> <td></td> <td></td> <td>558,792 tonnes</td> </tr> <tr> <td>CO₂ (fossil)</td> <td></td> <td></td> <td></td> <td>2,343 tonnes</td> </tr> </tbody> </table> <p>* Uncertain dust measurements, spot-check, ** New devices installed for measuring SO₂ and NO_x from autumn 2016, *** From FY19, more emission sources included in the total figure</p> <p>The quantity and content of emissions to air is monitored and possibilities to reduce emissions through various initiatives are continuously going on. The total direct greenhouse gas, GHG, emissions during FY 19 amounted to 3,452 tCO₂e (tonnes of carbon dioxide equivalent) due to consumption of furnace oil, LDO, diesel and petrol, see figure 7. There are no emissions from furnace oil under FY19 because start-fuel for the boilers were changed to LDO in the end of February 2018.</p>	Type of Emission	Quantity FY16	Quantity FY17	Quantity FY18	Quantity FY19	Particulate matter *	133 tonnes	53 tonnes	150 tonnes	190 tonnes	SO _x **	196 tonnes	472 tonnes	563 tonnes	750 tonnes ***	NO _x **	367 tonnes	450 tonnes	448 tonnes	515 tonnes	CO ₂ (renewable)				558,792 tonnes	CO ₂ (fossil)				2,343 tonnes
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CO ₂ (fossil)				2,343 tonnes																											

	 <p>Figure 7: Emissions to air by each type of fuel.</p> <p>The indirect emissions are due to electricity and steam purchased. In FY19 total indirect emissions were 18,702 tCO₂e, see table 6.</p> <p>Table 6: Sources for indirect emissions to air</p> <table border="1" data-bbox="863 533 1214 595"> <thead> <tr> <th>Source of Scope II Emissions</th> <th>Emission tCO₂e</th> </tr> </thead> <tbody> <tr> <td>Electricity purchased from grid (non-renewable)</td> <td>9,821</td> </tr> <tr> <td>Steam purchased from Övik Energi AB (renewable)</td> <td>9,082</td> </tr> <tr> <td>Total</td> <td>18,702</td> </tr> </tbody> </table> <p>The GHG emission (Greenhouse Gas Emissions) per tonne of pulp produced during FY 19 was 0.11 tCO₂, including direct and indirect emissions.</p> <p>GHG emissions are reduced through product applications. For example, lignin can be used as an additive in concrete manufacturing and acts as a water reducer while maintaining the strength of concrete structure. It is calculated that using 1 kg of lignin in concrete manufacturing results in reduction of CO₂ emissions by 20 kg, due to reduced demand of cement. Currently Domsjö Fabriker delivers approximately 90,000 tonnes per year to the concrete additive business, which leads to 1.8 million tonnes reduction in global CO₂.</p> <p>However, the company didn't provide the procedure to evaluate their suppliers' performance in reducing GHG.</p>	Source of Scope II Emissions	Emission tCO ₂ e	Electricity purchased from grid (non-renewable)	9,821	Steam purchased from Övik Energi AB (renewable)	9,082	Total	18,702
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Electricity purchased from grid (non-renewable)	9,821								
Steam purchased from Övik Energi AB (renewable)	9,082								
Total	18,702								
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company provided auditor the Documented Control System (DCS) for FSC COC including management procedures on raw materials procurement. A purchasing practise procedure is also provided with Canopy fiber policy related documents required as part of the requirements</p> <p>2 suppliers have provided maps on their approximate sourcing areas by using the ForestMapper. But detailed forest of origins' info is still not known. There is currently no evidence of sourcing from tropical peatlands, but also no procedure to exclude it.</p>								
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>No procedures were in place at the time of onsite audit.</p>								
<p>Summary:</p>									

The company provided a supplier management procedure on evaluation of the suppliers, with the evaluation criteria mainly based on quality and goods delivery date. Whether the supplier has a system on reducing the GHG is included as one of the requirements.

Domsjo's Sustainability Report (2018.4 – 2019.3) provided their performance on reducing GHG. However, the company didn't provide the procedure to evaluate their suppliers' performance in reducing GHG.

The company uses FSC certification as a tool to control sourcing risks. The company provided auditor the Documented Control System (DCS) for FSC COC including management procedures on raw materials procurement.

2 suppliers have provided maps on their approximate sourcing areas by using the ForestMapper. But detailed forest of origins' info is still not known. There is currently no evidence of sourcing from tropical peatlands, but also no procedure to exclude it.

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

** Indicates Critical Indicators

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

1. Evaluation of <Choose site type> <enter site name>

Primary Responsible Person: (Responsible for control system at site(s))	Roger Chou Special Assistant – Management representative
Auditor(s):	Peiyong Zhou, Preferred by Nature
People Interviewed, Titles:	Roger Chou, Special Assistant – Management representative, R&D as well as Production representative. Eric Liang - Senior Specialist, Purchasing Department. Hank Lin - Deputy Section Manager, Production Department. Tim Chen - Factory Chief
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 fibre production and storage of material and products.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The policy was public on the company’s website:</p> <p>The Company organized special training session on the policy and Canopy requirements before the audit. Training records were provided for auditor review.</p> <p>1 training was conducted among relevant staff in the company in February 2021.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy,</p>

	definition of Ancient and Endangered forests and controversial sources.
<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 type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company shared the standard operational procedure (the Documented Control System for FSC COC, the supplier management procedure on evaluation of the suppliers as well as the purchasing practise procedure with the viscose mill that ensures the wood sourcing policy is implemented.</p> <p>Kindly refer to indicator 1.2 under Appendix A for details.</p>
<p>Summary:</p> <p>The policy was public on the company's website:</p> <p>The Company organized special training session on the policy and Canopy requirements before the audit. Training record were provided for auditor review.</p> <p>1 training was conducted among relevant staff in the company fin February 2021.</p> <p>The Company shared the standard operational procedure (the Documented Control System for FSC COC as well as supplier management procedure on evaluation of the suppliers and a purchasing practise procedure) with the viscose mill that ensures the wood sourcing policy is implemented.</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>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
<p>2.6 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The head office is responsible for wood pulp sourcing.</p> <p>The material receipt and product delivery are documented and shared with the mill, such as bill of lading, product delivery note, invoice.</p>

	<p>However, the forest of origin is not presented on this documentation.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The head office is responsible for wood pulp sourcing. The delivery documents are documented and shared with the mill, such as bill of lading, product delivery note, invoice. However, the forest of origin is not presented on this documentation.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<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 head office is responsible for wood pulp sourcing. The delivery documents are documented and shared with the mill. Most of the procurement to the company are FSC CW and/or FSC Mix Credit claimed dissolving pulp. Transaction samples provided to the auditor carry relevant FSC certificate code and claim.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The mill has no sourcing activity of wood pulp. The corporate office maintains the records of annual purchase and sales and shared with the mill.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The transportation documents provided from the 2 suppliers carry relevant FSC certification info when applicable. Forest/plantation of origin, however, is not shown on the documents.
Summary: The head office is responsible for wood pulp sourcing. The delivery documents are documented and shared with the mill. Most of the procurement to the company are FSC CW and/or FSC Mix Credit claimed dissolving pulp. Transaction samples provided to the auditor carry relevant FSC certificate code and claim. Forest/plantation of origin, however, is not shown on the documents.	

4. Sourcing from Ancient and Endangered forests and other controversial sources have been eliminated.	
Indicators	Findings
4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in Taiwan, such as the business registration certificate. At the time of this audit, there is no news and information in the public domain that the organization is non-compliance with national and international laws. The company holds a number of 3rd party certificate including Carbon Footprint Verification certificate (TWN4576693CFP/E Rev.1 & TWN4576693CFPT/E Rev.3), Quality Management System Certification for manufacturing and sales of Lyocell filament (ISO 9001:2015), FSC COC certificate (BV-COC-136617). The company is also granted authorisation according to STANDARD 100 by OEKO-TEX to use the STANDARD 100 by OEKO-TEX mark.
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	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met

<p>from Ancient and Endangered forests and controversial sources.</p>	<p><input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill is not responsible for sourcing of wood pulp.</p> <p>By interviews, the management staff of the mill demonstrated their understandings on Ancient and Endangered forests and controversial sources.</p> <p>Both suppliers have signed the commitment letters with the company in terms of upholding and implementing the fiber policy. The commitment letter will be enclosed to the new contract with suppliers.</p> <p>The company provided 2 newly signed commitment letters with OJI for their new procurement updated on 14 Apr and 06 May 2021, respectively.</p> <p>However, compliance with the commitment has not yet been confirmed.</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 risk assessment was conducted by the headquarter.</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 headquarter.</p> <p>Detailed findings please refer to section 2 of the checklist for Corporate Sourcing (headquarters)</p>
<p>Summary:</p> <p>The interview with the management indicates they were aware all relevant laws and regulations. At the time of this audit, there is no news and information in the public domain that the organization is non-compliance with national and international laws. Key managers of each position</p>	

demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the HQ's sourcing office.

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</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Detailed findings please refer to section 1 of the checklist for Corporate Sourcing (headquarters)</p>
<p>Summary: Detailed findings please refer to section 1 of the checklist for Corporate Sourcing (headquarters)</p>	

7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.
Please refer to assessment for section 7 under Annex A for this indicator.
<p>Summary: The mill and HQ (including purchasing department) are all located together.</p> <p>Recognise, respect, and uphold human rights and the rights of communities and workers was included in the Company's policy. Suppliers provided its sustainability report as well as integrated report extract that includes a commitment to source wood fibre that come from forests where the customary, traditional or civil rights of people are upheld.</p> <p>All suppliers are FSC certified which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. The Company does hold FSC certification. However, important to note that not all materials are sourced with FSC certified claims, so overall, there is more progress to be made for full compliance.</p>

Appendix C: 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.