



CanopyStyle Verification and  
Guidelines  
**Evaluation Report for:**

Zhejiang Fulida Holding Co. Ltd  
in  
Hangzhou, China

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# 1 INTRODUCTION

The purpose of this report is to document performance of **Zhejiang Fulida Holding Co.Ltd**, hereafter referred to as "Organization", against the requirements of the Verification Framework and Guidelines, (September 2016 version) developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>1</sup> and the over 100 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, such as Zhejiang Fulida Holding Co.Ltd are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators.

The report presents the findings of Rainforest Alliance 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.

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for evaluation design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance Headquarters directly. Formal complaints or concerns should be sent in writing.

## 2 GENERAL DESCRIPTION

The Zhejiang Fulida Holding Co, Ltd, established in 2004 in Hangzhou, China, is a subsidiary of the Fulida Group which manages an integrated textile industry system including the research, production and sale of the pulp, viscose staple fiber, polyester materials, spinning, weaving, printing and dyeing. The total asset of the Fulida Group is approximately **RMB** 30 billion and nearly 6,000 employees.

In addition to Zhejiang Fulida Holding Co. Ltd, the Fulida Group's holdings include Zhejiang Shuangtu New Materials Co. Ltd.; Zhejiang Dafeng Textile Co., Ltd.; a dissolving pulp mill in British Columbia, Canada; and Zhejiang Fulida Dyeing and Finishing Co., Ltd, among several others. For many years, the Group has been among China's top 500 private enterprises and China's top 500 manufacturing enterprises.

The Zhejiang Fulida Holding Co, Ltd is specializing in the production, sales and technical development of viscose staple fiber and differential functional viscose staple fiber. The organization has one processing mill with 160,000-180,000 tons annual capacity, obtained the Oeko-Tex Certification, and is ISO9001, ISO14001, and ISO10012 certified. The organization has set up an innovation programme of transferring the current processing lines for the manufacture of dissolving pulp and the programme will be put into practice during 2019-2020 and is expected to replace at least 50% of viscose staple fibre production. The transition in production will dramatically reduce the chemical inputs and mitigate environmental pollution.

The organization launched the Sustainable Pulp Sourcing Policy in Feb 2016. They are participating in the CanopyStyle Initiative and as recognition of their commitment are undergoing this evaluation. In the sustainable pulp sourcing policy, the organization commits to only source pulp from non AEFs (Ancient and Endangered Forests) and no pulp from tropical rainforests in Indonesia and the Canadian Boreal Forests, etc. unless the forests are FSC certified or protected by a scientific conservation programme. The policy also states the organization shall implement its best efforts to:

- 1\ protect ancient and endangered forests (AEF) and avoid pulp from AEF, controversial origins, and plantations converted after 1994.
- 2\ recognize, respect and support human rights, guarantee FPIC and community rights.□
- 3\ research alternative fibre and creative technologies promote bamboo pulp for fibre production
- 4\ advocate conservation programmes□
- 5\ source certified pulp and give priority to FSC certified pulp□
- 6\ transparency, traceability and 3rd party verification□
- 7\ mitigate ecological footprint and greenhouse gas emission□
- 8\ prevent air and water pollution□
- 9\ proactively advocate the pulp sourcing policies to suppliers.

The organization sources dissolving pulp from both inside and outside of China. 60-70% of pulp is imported from the US, Canada and Brazil, the suppliers are Fortress, Cosmo, and Jari, etc. 30-40% of the pulp is purchased from domestic pulp mills, such as Huatai and Juntai. Decisions for raw material inputs for the internal viscose facilities are made at the mill, and the purchasing department of the organization makes pulp purchases for the viscose mill.

The organization's final products are all used as raw material inputs for the manufacture of the Fulida Group's textile fabrics, which are traded by the Fulida Group Hangzhou Import and Export Co., Ltd. to national and international markets. The Fulida Group does not exclusively source viscose staple fiber from Zhejiang Fulida Holding Co, but also sources from other other MMCF producers.

### 3 EVALUATION SCOPE

#### 3.1 Scope

This evaluation of Zhejiang Fulida Holding Co. Ltd's raw material sourcing is an onsite audit against the requirements of the CanopyStyle Verification Framework and Guidelines, (March 2016 version in Mandarin).

The objective of this audit is to gather appropriate evidence to verify whether ancient and endangered forests and/or controversial sources are potentially in the supply chain. Where risk is moderate to high, and when documents provided are limited or insufficient to come to such conclusion with certainty, additional onsite audits would be required at any of the mills or suppliers.

Scope of the Evaluation:

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 checked="" type="checkbox"/> Other suppliers: Three additional suppliers were disclosed during the audit: Caima, Fujian Qingshan, a supplier located in British Columbia.
Map of Ancient and Endangered Forests Overlay Completed:  <i>Global and regional maps of ancient and endangered forests have been developed by Canopy and used by auditor to conduct these audits. The maps will be made public and available to producers in the coming months.</i>	<input type="checkbox"/> Yes Comments:	<input checked="" type="checkbox"/> No Comments:  Map overlays were not conducted as part of the risk assessment. Map overlays should be undertaken when greater supply chain information is available.
Majority fiber input:	Dissolving pulp mainly from 5 suppliers	
Mill Capacity:	160,000-180,000 ton	
Primary activity:	Viscose 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: 521	Permanent female: 383

	Contract male: 0	Contract female: 0
	TOTAL: 904	

Number of sites included in this Evaluation: 2

Name/Description of sites	Location
The office and mill of the Zhejiang Fulida Holding Co.Ltd	Hangzhou, China

## 4 EVALUATION RESULT

### 4.1 Evaluation Conclusion

During 6-7 July 2017, the Rainforest Alliance conducted an independent third party verification audit of the progress made by the organization in implementing the commitment of the Pulp Sourcing Policy, to document their risk of sourcing from the world's ancient and endangered forests and other controversial areas, as well as additional related sustainability solutions and targets of the CanopyStyle Initiative.

The Rainforest Alliance verification audit finds that the organization's progress in meeting these commitments varies. This report documents the progressive and critical indicators (key performance indicators or KPIs) that have been fully met, those that are in partial conformance and those that are not in conformance and specifies why.

The organization is expected to immediately address the critical KPIs that have not been met or that are partially met and make progress on the "progressive" KPIs over time.

Appendix B Corporate Level	Critical criteria	Progressive criteria
Commitment met	1.1, 1.3, 4.1, 4.4	12.1
Commitment in Progress	1.5, 1.10, 2.1, 3.1, 5.1, 6.1, 7.1, 7.2, 7.5, 9.1, 9.2, 10.1	2.2, 7.4
Commitment not met	1.2, 1.6, 1.7, 1.9, 1.11, 4.2, 4.3, 4.5, 5.2, 8.1, 9.4, 11.2	1.4, 1.8, 2.3, 2.4, 2.5, 7.3, 8.2, 9.3, 11.1
Not Applicable	5.3	

Appendix C SFJ Mill	Criteria
Commitment met	4.4
Commitment in Progress	1.10, 2.8
Commitment not met	1.11, 2.7, 2.10, 4.5
Not Applicable	2.6, 2.9, 4.6, 4.7, 5.4

The organization has identified 5 main suppliers of dissolving pulp, of which 3 are FSC CoC certified (Jari, Fortress and Hunan Juntai), 1 is PEFC CoC certified (Cosmo). For all certified suppliers, only

the material supplied by Jari could be identified as FSC certified on incoming supply documentation, which makes 15% of the total procurement by the organization during Jan-June 2016 as FSC-certified material. Note: After the audit was conducted the FSC certificates for Jari Celulose were suspended.

All 5 suppliers reported the forest origin info in the dissolving pulp questionnaire, except Jari who provided detailed forest location info and provides FSC-certified claims. The sourcing geography of the certified dissolving pulp of Jari Cellulose is in the Brazilian Amazon region, where concerns of illegal logging activities are prevalent. Interpol released a purple notice for such activities that occurred through 04 December 2015. The risk level for controversial sources of this material cannot currently be confirmed as low risk according to the CanopyStyle initiative.

The other 4 suppliers reported the forest location in the state/province level but have yet to provide the level of detail required. However, overlaying the description of the forest of origin to the AEF map, it is apparent that the forest of origin for these suppliers is in proximity to AEFs. At this time, therefore, materials from these suppliers cannot be verified as low risk and do require the mill to confirm sourcing is not from Ancient and Endangered forests.

In addition, 3 pulp suppliers were disclosed during the onsite visit, and some of the materials supplied were being used for production on the date of audit. Information on the forest origins of the 3 non-listed suppliers were not available at the time of audit from the suppliers nor were any volumes sourced.

It is acknowledged that the organization has made an effort to understand the origin and certified status of the supply by having the immediate supplier fill the dissolving pulp questionnaires, however, additional due diligence measures must be undertaken to ensure that the information is accurate.

## **4.2 Overall Summary of Results**

In summary, the Rainforest Alliance verification audit provides evidence confirming that the organization is investing in work and resources to implement the commitments of its policy consistent with the solutions and targets of the CanopyStyle initiative.

Some challenges remain to fully implement the commitment throughout the company's supply chain. Currently, the organization requires additional capacity and expertise to implement the policy, needs to bolster their internal corporation mechanisms between the purchasing team who is responsible for policy implementation and the trading company who develop and maintain the policy, and must work to significantly supplement information on the supply chain and the internal verification of information to identify and confirm the forest origins for all suppliers. Based on the information provided, it can be determined that many suppliers listed sourcing from geographic areas that are in proximity to or within ancient and endangered forests and need to acquire the certification necessary to track the fiber to ensure avoidance of controversial sources. One supplier, Jari, cannot be considered low risk even with a certification claim due to evidence of possible controversial activities. Furthermore, the organization needs to ensure that all suppliers disclosed during the onsite audit are being proactively engaged by the organization regarding policy implementation.

Additional work is required to fully meet all the critical and progressive criteria, and to lower the risk of sourcing from ancient and endangered forests and other controversial sources.

## **4.3 Recommendations**

It is an expectation of the CanopyStyle Initiative that Zhejiang Fulida Holding Co. collects forest of origin information including GPS points, GIS coordinates and/or shapefiles from its dissolving pulp

suppliers, which will allow for an overlay with the Canopy map of Ancient and Endangered forests. Based on the information collected, Zhejiang Fulida Holding Co. can then share the forest origin information (ie GPS points, GIS coordinates and/or shapefiles) with Rainforest Alliance and Canopy for further desktop risk assessments to complete the requirements of the verification framework and allow for robust analysis and supply chain risk level conclusions.

Once this follow up desktop risk assessment is complete, Zhejiang Fulida Holding Co. can inform its suppliers of this process and the results, and the audit evaluation can be finalized, and the results posted publicly.

In the case that information on the forest of origin cannot confirm a low risk rating or in the case that forest of origin information is not being shared by the dissolving pulp supplier, Zhejiang Fulida Holding Co. will need to take further actions. These actions may include providing additional documentation that verifies full compliance with CanopyStyle policy expectations, and/or exclusion of further sourcing from this/these supplier(s), and/or additional assessment of the dissolving pulp supplier at their corporate office, mills and /or forest management sites.

As mentioned in the CanopyStyle audit framework, and based on the current risk level, ongoing regular audits, and/or random site visits will be essential to ensure that Zhejiang Fulida Holding Co. continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

In future, Zhejiang Fulida Holding Co. should consider sharing such forest of origin information and certification information to its customers to help track and trace the fiber assessed as low risk of sourcing from ancient and endangered forests and other controversial sources.

A key finding of the audit is that the Fulida Group does not source solely from Zhenjiang Fulida Holding Co, and also sources from other viscose manufacturers. The CanopyStyle audit framework specifies that it is the expectation of the Leaders Group that “all operations of the MMCF producers will be subject to the independent verification process, and that the evaluation of only partial operations, mills, suppliers or product lines would not be considered acceptable. The goal of the CanopyStyle commitment and verification program is to avoid the development of qualifying “niche” products that do not represent the entirety of the company and are potentially shift sourcing of ancient and endangered forest into to other products or mills, therefore partial verification will not be satisfactory nor supported.” It is recommended that the Fulida Group as a whole, with its viscose distribution arm and its dissolving pulp facility, be audited within six months to evaluate the risk of sourcing wood-based materials from ancient and endangered forests or other controversial sources.

#### 4.4 Performance Measures

To generate a single result for each indicator in the CanopyStyle Verification and Guidelines for Viscose Producers, the findings from the evaluation are measured as follow:

1	Not Applicable	Is not applicable to the site
2	Commitment met	Full conformance with indicator
3	Commitment in Progress	Partial conformance
4	Commitment not met	Nonconformance
5	Insufficient information available	No information during visit

In addition to giving the result, the evidence used, and a narrative description of findings is reported for each indicator (appendix B).



## 5 EVALUATION PROCESS

### 5.1 Evaluation Requirements

Standard/Guidelines used for the evaluation:	CanopyStyle Verification Framework and Guidelines for Viscose Producers
Key Performance Indicators:	Appendix B: Canopy Verification Framework and Guidelines for Viscose producers Appendix C. List of KPIs and verifiers for a viscose or dissolving pulp mill level verification audits.

### 5.2 Evaluators and qualifications:

Name	Zhang Xinxin	Role	Auditor
Qualifications:	The China country rep with RA-cert, has more than 10 years working experiences in FSC certification. Before working for RA, she was the forest officer with WWF China, has led 10 FSC certification and HCVF projects in China, including 2 FSC group certifications in Shandong Linyi and Zhejiang Longquan. She had worked as the forest specialist with IKEA, responsible for evaluating IEKA wood supply chain, and as research assistant in Forest Certification Center with China Academy of Forestry during 2004-2007. She completed FSC FM and CoC lead auditor courses and is qualified as FSC FM lead auditor and FSC CoC auditor.		

### 5.3 Evaluation schedule

Date	Location /Main sites	Principal Activities
July 6	Corporate office	Opening meeting
	Corporate office	Staff interviews
	Mill	Site visit and staff interviews
	Pollution control office	Site visit and staff interviews
	Raw material warehouse	Site visit and staff interviews
	Corporate office	Document review
July 7	Corporate office	Document review
	Corporate office	Close meeting

### 5.4 Interviews

Date	Principal Responsibilities
July 6	Manager of warehouse, and CSR manager
	Manager of environment
	Staff of the purchasing department
	Manager of purchasing
	Chief engineer
	Staff of the warehouse
	Manager of production

July 7	General manager of the Fulida Group Import/Export Co.Ltd
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**5.5 Documents and websites reviewed**

<b>Document Name</b>	<b>Link (if applicable)</b>
The sustainable pulp sourcing policy	<a href="http://www.fulida.cn/index.php/news/show/4/195">http://www.fulida.cn/index.php/news/show/4/195</a>
Supplier commitment	
Purchase contract	
Country of origin certificate	
Supplier's certificate	
Invoices	
Storage record	
Dissolving pulp questionnaire	
Sourcing information form 2017	

## Appendix A: ORGANIZATION DETAILS

Organization information	
<b>Legal name:</b>	Zhejiang Fulida Holding Co. Ltd
<b>Legal jurisdiction:</b>	China
<b>Type of legal entity:</b>	Private-owned
<b>Contact person (public):</b>	Wu Wei
<b>Address:</b>	No 3999, Changfeng Road, Linjiang Hi-Tech Industry Zone, Hangzhou, China
<b>Tel/FAX/email:</b>	Phone : +86 571 82125999 Fax : +86 571 82125867-88 Email : wuwei@fulida.cn
<b>Website:</b>	www.fulida.cn

## Appendix B: EVALUATION CHECKLIST

### Canopy Verification Framework and Guidelines for Viscose producers

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings:
1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The Sustainable Pulp Sourcing Policy and commitment are published on the company's website <a href="http://www.fulida.cn/index.php/news/show/4/195">http://www.fulida.cn/index.php/news/show/4/195</a>, and interviews to senior managers confirmed they are all aware of the policy.</p>
1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders.**	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>            The organization doesn't have a SOP to implement the policy, either documented or verbally described to the auditor.</p>
1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The purchasing department of the organization are assigned for the policy implementation.</p>
1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>            In the staff interview, the general manager of the Fulida Group Imp&amp;Exp Co. Ltd, told auditor the organization provided trainings to key managers on the policy implementation, however, no training record or related exhibits to affirm his statement were found. And the interviews with senior managers and staff confirmed they</p>

	<p>didn't have any capacity building or attended any training on the policy implementation.</p> <p>The interview to the manager of the purchase department disclosed although the job of the implementation of the policy is assigned to the purchasing department, the policy was developed and is maintained by the organization 's brother company, Fulida Group Imp&amp;Exp Co. Ltd, and there is no effective cooperation mechanism and clear management structure between two companies on the policy implementation.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The organization shared the policy to all main 5 suppliers, the name and info of which were shared with auditor prior to the onsite audit. The 5 main suppliers are Fortress, Jari, Cosmo, Huatai and Juntai. 4 of them except Fortress signed the Commitment Slip for Suppliers, which stated "the company has carefully read and comprehend the policy, hereby promised to comply with the policy".</p> <p>In the onsite visit to the material warehouse and document review, the auditor discovered additional supplier and pulp being used in the processing lines on the date of audit (July 6 2017). And, there are piles of dissolving pulp with the name Caima stored in the warehouse. For these 3 non-disclosed suppliers, Chenqing with the purchase department confirmed they purchased them in 2015-2016, but didn't communicate the policy with them.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The requirement to implement the policy is not included in the agreement/contracts with current suppliers and future suppliers.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>No system developed by the organization to monitor supplier's conformance with the policy. The manager of the purchase department, told auditor their job on policy implementation is to ask the supplier to sign the Commitment Slip for Suppliers and fill the Dissolving Pulp</p>

	<p>Questionnaire, they don't have knowledge and capacity to check if the info reported by the supplier reflected the real situation, if the pulp is from AEFs or other origin, and if the supplier comply with the policy requirement such as FPIC or community related.</p>
<p>1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  Key managers with the organization confirmed they were actively involving Canopy in the development of their pulp sourcing policy.</p> <p>The manager of environment, told auditor for any environmental issue, neighbour communities nearby the mill are used to report their grievances directly to local municipal office, and the municipal office would alert the organization to implement an action plan to address grievance.</p> <p>However, there is no clear grievance procedure and channels for other civil society stakeholders or other actors to input concerns on forest management and sourcing practices to the organization by the time of audit; therefore, the indicator is not met.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The same as above.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  See mill findings (Appendix C).</p>
<p>1.11 Each production site managers has developed procedures to implement the Policy, when relevant.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  See mill findings (Appendix C)</p>
<p><b>Observation:</b>  The organization has made a commitment and policy on sustainable pulp sourcing and assigned the purchasing</p>	

department for the implementation of the policy, there are still gaps between the commitment on the policy and actual sourcing practices,

- 1\ no SOP for the implementation and supplier monitoring system to guarantee the compliance of the policy
- 2\ requirements to implement the Policy were not included in the contract with pulp suppliers,
- 3\ the purchasing department's lack of knowledge and capacity to implement the policy,
- 4\ no effective channel for stakeholders inputs to the sourcing policy and practices,
- 5\ the policy was not communicated to all suppliers.

Additional implementation measures are needed to meet all of the commitments within the policy with regards to not source from ancient and endangered forests. Increasing the amount of raw material from FSC certified forests is recommended. However, in areas with non-low risk rating of sourcing from Ancient and Endangered Forests, controversial sources or other areas of policy commitments, certification may be limited in scope and not sufficient or consistent with the expectations of the CanopyStyle initiative.

## 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 and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group.**</p>	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Not Applicable</li> <li><input type="checkbox"/> Commitment Met</li> <li><input checked="" type="checkbox"/> Commitment in Progress</li> <li><input type="checkbox"/> Commitment Not Met</li> <li><input type="checkbox"/> Insufficient Information Available</li> </ul> <p><b>Description of the finding:</b> The organization confirmed they had shared the supply chain info with Canopy and also had several meetings with Canopy to discuss the overall progress in policy implementation.</p>
<p>2.2 The assessment identifies all suppliers in the chain beginning at the forest or plantation of origin, that supply the MMCF mills</p>	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Not Applicable</li> <li><input type="checkbox"/> Commitment Met</li> <li><input checked="" type="checkbox"/> Commitment in Progress</li> <li><input type="checkbox"/> Commitment Not Met</li> <li><input type="checkbox"/> Insufficient Information Available</li> </ul> <p><b>Description of the finding:</b> The organization asked pulp suppliers to report the supply chain and forest origin info via filling the Dissolving Pulp Questionnaire developed by Canopy, however, the organization didn't conduct a due diligence verification to the information reported by suppliers after receiving the questionnaires.</p> <p>For the organization disclosed 5 main suppliers, all filled the questionnaires and reported the forest origin info (please see the attachment 1 supplier list), however, only Jari reported the exact plantation location, for other 4, only the site names and locations in the provincial level were provided, for instance, Cosmo sourced from western Washington state and northeast Oregon of the US, Huatai sourced from Victoria state of Australia.</p> <p>As stated in 1.5, in the onsite visit, the auditor found out the mill is also using pulp from other suppliers non-listed in the Sourcing Information Form 2017, three were not requested to fill the dissolving pulp questionnaire and the forest origin are unknown.</p>

<p>2.3 A risk assessment has been done with the information and shared with Leaders Group.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The organization didn't conduct the risk assessment, no risk assessment report.</p> <p>As stated in 1.7, the manager of the purchase department, told auditor they don't have knowledge and capacity to check if the forest origin info reported by the supplier reflected the real situation and to assess the risk. For any new potential suppliers, price and quality were the critical indicators to determine the sourcing decision, whether the pulp was from AEFs or FSC/PEFC certified was not considered in practice.</p>
<p>2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  As stated above, no risk assessment conducted to be presented to the Leader Group and stakeholders.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The organization didn't publish its supplier publicly, however, they had shared the supply chain info with Canopy and are willing to share Leader Group if required. There is no robust track system to trace the inputted pulp to outputs.</p>

**Observation:**  
The forest origin is not verified and assessed by the organization. Rainforest Alliance has provided a preliminary risk assessment based on available information within the suppliers list.

It is an expectation of the CanopyStyle Initiative that the organization collects forest of origin information including GPS points, GIS coordinates and/or shapefiles from its dissolving pulp suppliers, which will allow for an overlay with the Canopy map of Ancient and Endangered forests. Based on the information collected, the organization can then share the forest origin information (ie GPS points, GIS coordinates and/or shapefiles) with Rainforest Alliance and Canopy for further desktop risk assessments to complete the requirements of the verification framework and allow for robust analysis and supply chain risk level conclusions.

Once this follow up desktop risk assessment is complete, the organization can inform its suppliers of this process and the results, and the audit evaluation can be finalized and the results posted publicly.

<b>3. No conversion of natural forest to plantations</b>	
<b>Indicators</b>	<b>Findings:</b>



<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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization collects info of the plantation development date via the Dissolving Pulp Questionnaire, but it is not verified by the organization themselves, it is simply a declaration.</p> <p>For all 5 main suppliers, Juntai didn't report the date info and confirm the pulp is from non-FSC certified forests in China; Fortress sourced from natural forests in Canada; Huatai sourced from plantations developed after 1994 with 57.6% FSC certified and 42.4% FSC CW certified, Cosmo and Jari source from plantations converted pre 1994.</p> <p>For three non-listed suppliers the initial dates of the plantation, where applicable, are unknown.</p> <p>FSC certified forests can be confirmed as pre 1994 conversion, but PEFC, FSC Controlled Wood and FSC Mix materials cannot.</p>
<p><b>Observation:</b>  It is recommended that the organization requests from their suppliers the forest conversion date for plantations converted from natural forest and evidence of valid FSC certification for all suppliers and sub-suppliers. Declaration of sourcing being from plantations, and the plantation year should not be accepted alone. Additional evidence to confirm the supplier declaration is needed.</p>	

<b>4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated</b>	
<b>Indicators</b>	<b>Findings:</b>
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as “ancient &amp; endangered forests”, “intact forest”, “natural forest”, “endangered species”, “controversial sources”, “high conservation value”, “high carbon area”, “peatlands”, etc. that are consistent with this document and the forest sourcing policy template.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization has adopted the clear definition of “ancient &amp; endangered forests”, “intact forest”, “natural forest”, “endangered species”, “controversial sources”, “high conservation value”, “high carbon area”, “peatlands” in their pulp sourcing policy, the commitment slip for suppliers, and the dissolving pulp questionnaire.</p>
<p>4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Leaders Group.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p>

	<p>As stated above, not all forest origins were known, such as the non-listed suppliers. Also, ancient and endangered forests near or within known origins have not been identified.</p> <p>For known source (5 main suppliers),</p> <ul style="list-style-type: none"> <li>• According to the forest location map provided by Jari, the plantation was located in the 52-53° W 0-1°S, in northeast of Brazil. And the material supplied by Jari to the organization were able to be identified as FSC 100% materials and 100% planted eucalyptus basing on the FSC claims on the sales documents and the claim on the Certification of Origin. Although risk is low for sourcing from ancient and endangered forests, the sourcing geography of the certified dissolving pulp of Jari Cellulose is in the Brazilian Amazon region, where concerns of illegal logging activities are prevalent (controversial sources). Interpol released a purple notice for such activities that occurred through 04 December 2015. The risk level for controversial sources of this material cannot currently be confirmed as low risk according to the CanopyStyle initiative.</li> <li>• The sourcing forest origins provided by the other 4 main suppliers are only the site names and locations in the provincial level, which are not sufficient to identify if the areas are within AEFs or not, for instance, Cosmo sourced from western Washington state and northeast Oregon of the US, Huatai sourced from Victoria state of Australia (please attachment 1).</li> </ul>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The policy was launched in Feb 2016. The interview to staff in purchase department and warehouse confirmed there is no stock purchased before Feb 2016. However, the onsite visit to the warehouse found out pulp from Caima purchased in Aug 11, 2015 was stored in the warehouse. And, the forest origin is unknown for pulp by Caima and unidentifiable if it is AEF or controversial source.</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  In the pulp sourcing policy, the organization committed to avoid illegally harvested and traded pulp. Interviews confirmed the organization is fully aware the relevant laws and the auditors found no evidence of non-compliance with laws.</p>

<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization didn't verify the forest origin. Auditor conducted a risk assessment to all 5 disclosed main suppliers and three non-listed suppliers based on the information provided by the organization and the supplier's publicly available information on the internet (please see attachment 1)</p>
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**Observation:** Except the fibre supplied by Jari, the organization wasn't able to identify the forest origin of sourced materials, and therefore, whether the materials being sourced are from Ancient and Endangered Forests or other controversial sources.

Based on our initial review, we recommend that the organization further request information of their suppliers, such as forest of origin (see recommendations above), plantation dates, evidence of legal harvest (Jari) and evidence FSC FM and FSC CoC certification.

It is an expectation of the CanopyStyle Initiative that Zhejiang Fulida Holding Co. collects forest of origin information including GPS points, GIS coordinates and/or shapefiles from its dissolving pulp suppliers, which will allow for an overlay with the Canopy map of Ancient and Endangered forests. Based on the information collected, Zhejiang Fulida Holding Co. can then share the forest origin information (ie GPS points, GIS coordinates and/or shapefiles) with Rainforest Alliance and Canopy for further desktop risk assessments to complete the requirements of the verification framework and allow for robust analysis and supply chain risk level conclusions.

In the case that information on the forest of origin cannot confirm a low risk rating or in the case that forest of origin information is not being shared by the dissolving pulp supplier, the organization will need to take further actions. These actions may include providing additional documentation that verifies full compliance with CanopyStyle policy expectations, and/or exclusion of further sourcing from this/these supplier(s), and/or additional assessment of the dissolving pulp supplier at their corporate office, mills and /or forest harvesting sites.

As mentioned in the CanopyStyle audit framework, and based on the current risk level, ongoing regular audits, and /or random site visits, will be essential to ensure that the organization continues to implement their policy and meet the expectations of the CanopyStyle Initiative.

In future, the organization should consider sharing such forest of origin information and certification information to its customers to help track and trace the fiber assessed as low risk of sourcing from ancient and endangered forests and other controversial sources.

<b>5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them</b>	
<b>Indicators</b>	<b>Findings:</b>
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Please refer to 2.2.</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p>	<p><b>Conformance with Indicator:</b></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</p>

(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> As stated in 1.7, No system developed by the organization to monitor supplier's conformance with the policy and there is no procedure developed by the organization to terminate purchase if non-conformance is found.
5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> No such activity had happened till the date of the audit.
<b>Observation:</b> The forest origin is not verified and assessed by the organization. The organization didn't develop any specific written procedure and timeline on how to withdraw from purchasing if non-conformance is found.	

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

Indicators	Findings:
6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Key managers interviewed all confirmed Leader group and other observers could be invited to participate the audit and report observations during the verification process.

**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 it's suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The organization's sustainable pulp sourcing policy included the commitment on recognizing, respecting and upholding human rights and the rights of commutates, and in the policy, the organization requested suppliers to acknowledge the right of indigenous people and rural communities and withhold their FPIC. Among all the current suppliers (5 main suppliers and 3 non-listed suppliers), 4 of them signed the "Commitment Slip for Suppliers" and promise to comply with the policy.

<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The organization sources materials from certified companies and confirms FSC certified materials from at least one supplier as a means to ensure this requirement has been met.</p> <p>However, the organization didn't require suppliers to submit documents to demonstrate on how they conform with the FPIC policy, and the organization didn't collect such info by themselves either. The interview with the purchase manager, found out that the policy performance team had very limited awareness on their responsibility in this field.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The interview to the manager of environment of the organization confirmed the organization is open to receive any complaint from public and were active exploring solutions with mutually agreements, however, the organization had no complaint record and procedure for handling complaint/conflicts.</p> <p>The organization didn't learn and verify how their suppliers deal with the complaints and conflicts.</p>
<p>7.4 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The organization didn't have a procedure to ensure suppliers to uphold ILO requirements, however, in the sustainable pulp sourcing policy, the organization stated they preferred fibre sourced from FSC certified forests, and among all suppliers (5 main suppliers and 3 non-listed suppliers), 4 are FSC certified company and 1 is PEFC certified. The FSC and PEFC systems have requirements related to the ILO Declaration. These are audited directly within the FM standard, and within FSC COC, companies declare strong commitments to not violate any of the ILO Core Conventions defined in the Declaration.</p> <p>Note three noncertified suppliers have been declared as a part of this audit, justifying the in-progress rating of this</p>

	indicator.
<p>7.5 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Key managers interview confirmed the organization didn't have any human rights violations and social conflicts in the past.</p> <p>The requirement was stated in the sustainable pulp sourcing policy and, as stated above 4 suppliers are FSC certified company and 1 is PEFC certified. The FSC and PEFC systems have requirements for recognition and respect for human rights.</p>
<p><b>Observation:</b> There are no current procedures in place to ensure the implementation of the requirement for recognition and respect human rights, worker's rights, ILO declaration, and FPIC rights for community at the supplier's level.</p> <p>If a supplier is not FSC certified and supplying FSC certified material, and the country has not ratified the ILO or UN convention, then an evaluation by the organization (or a third party) would be best practice on human and community rights.</p>	

**8. Development of Innovative and Alternative Fiber**

<b>Indicators</b>	<b>Findings:</b>
<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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The organization had developed bamboo as an alternative input in 2010-2011, back then around 10-20% of total productivity was produced by bamboo fibre. The organization now has no plan to develop a new alternative fibre.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  Please refer to 8.1</p>

**Observation:** The organization is encouraged to research into the use alternative fibres, such as recycled clothing and agricultural residues.

9. Advocacy for conservation solutions	
Indicators	Findings:
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization joined and supported the Canopy initiative and committed to protect the ancient and endangered forests. The organization has participated the events held by Canopy. The organization has made efforts on tracking their material sourcing and training on the wood pulp sourcing policy. However, the organization has not taken part in any events or undertaken actions outside of the defined CanopyStyle Initiative.</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  In the sustainable pulp sourcing policy, the organization prefers sourcing from certified suppliers in order to positively impact conservation and development solutions at the forest level.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The organization hasn't participated in or supported any programs stated in the indicator.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The organization hasn't participated in or supported any programs stated in the indicator.</p>
<b>Observation:</b> The organization didn't develop or implement any conservation related programs and researches as required by 9.3 and 9.4	

The intent of this commitment is to advocate for conservation solutions regardless of whether or the company is directly engaged in forest management. Advocacy can be in conjunction with suppliers, decision makers or NGOs, or stakeholders in the areas where the company is sourcing supply. When prompted, dedicate resources to help advance the conservation of specific areas. This can be done via attending roundtables, webinars, letters of support, calls to decision makers, forest tours, etc.

## 10. Responsible forest management

### Indicators

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.\*\*

### Findings:

#### Conformance with Indicator:

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

#### Description of the finding:

In the pulp sourcing policy, the organization gives a preference for FSC certification, but the interview to key managers and staffs with supply department confirmed there was no concrete action plan to increase FSC intake, quality and price are most critical indicators to determine the sourcing decision.

**Observation:** The organization gives a preference for FSC certification, but no concrete action plan to increase FSC intake. The current percentage of FSC certified pulp to the overall procurement in Jan-Jun 2017 is 15%. It's recommended the organization to work with another 3 FSC certified suppliers (Fortress, Juntai and Caima) to provide materials holding FSC claims.

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

### Indicators

11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.

### Findings:

#### Conformance with Indicator:

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

#### Description of the finding:

The organization doesn't have a procedure to evaluate supplier's performance in reducing GHG.

11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forests, forested peatland at the concession and landscape level (peat dome) and identify, withdraw from and restore peatlands and their hydrology. \*\*

#### Conformance with Indicator:

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

#### Description of the finding:

The organization didn't commit or document to give preference for suppliers adopting management measures to protect forest, peatlands, etc, and does not exclude pulp from tropic forests.

**Observation:** The organization doesn't have a procedure to evaluate supplier's performance in reducing GHG. The



organization didn't commit or document to give preference for suppliers adopting manager measures to protect forest, peatlands, etc.

## 12. Pollution Prevention

### Indicators

12.1 This verification process will not address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.

### Findings:

#### Conformance with Indicator:

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

#### Description of the finding:

The organization has provided evidence that it invests funds into pollution control systems at the mill. The investment in pollution control is around 40-50million RMB accounting for 20% of the total mill investment.

And, the organization is developing an innovation programme of transferring the current processing lines for the manufacture of viscose staple fibre to closed loop technology and the programme will be put into practice during 2019-2020 and is expected to replace at least 50% of viscose staple fibre production.

\*\* Indicates Critical Indicators

## Appendix C: EVALUATION CHECKLIST

### Canopy Verification Framework and Guidelines for Viscose producers Annex 3

1. Publicly communicating and implementing the 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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The auditor interviewed several key managers in the mill, all are not familiar with the policy, and managers also confirmed, at the mill level, they simply use the material sourced by the organization and it should be the job of purchasing department to implement the policy.</p>
1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The auditors visited the whole processing line from dissolving pulp entering in the warehouse, to the batch feeding to the end products packing and loading for transportation, no procedure was developed in any sites.</p>
<p><b>Observation:</b> Interviews with staff revealed that there were some key managers not familiar with the policy, and the organization doesn't make procedures for the managers of other sites.</p>	
2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings:
2.6 The production site/mill maintains all <u>purchase and sales</u> , documentation related to the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Only apply to mills/production sites that have purchasing responsibilities</p>
2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u> . Such	<p><b>Conformance with Indicator:</b></p>

<p>documentation includes an identification of the forest of origin.</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><b>Description of the finding:</b>  The warehouse receives a copy of the delivery documents from the purchasing department and a request for production from the production department, and keeps the record on goods-in and goods-out of all the materials/products.</p> <p>The package of the delivery documents for imported material (Jari, Cosmo, and Fortress) includes a sale contract, an invoice, a custom declaration, a bill of lading, and a certificate of the origin, which could only identify the origin of the dissolving pulp but not the origin of forests. Auditor reviewed all the documents with Jari, Cosmo and Fortress during July 2016 to June 2017.</p> <p>The delivery documents for domestic suppliers (Huatai and Juntai) was not provided to auditor for review by the date of the audit.</p> <p>For the non-listed suppliers, a package of documents with Caima (the amount of goods 1,005,602kg, purchased in Aug 2015) and a package of documents from a supplier in British Columbia (the amount of goods is 473,000 kg, purchased in Apr 2016) were provided to auditor for reviews. And, the same as other overseas suppliers, the package includes a sale contract, an invoice, a custom declaration, a bill of lading, and a certificate of the origin, which could only identify the origin of the dissolving pulp but not the origin of forests. The documents with Fujian Qingshan were not provided to auditor for review by the date of the audit.</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> <b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available </p> <p><b>Description of the finding:</b>  Auditor checked all the invoices with Jari during the July 2016 – June 2017 has the FSC CoC claims and could identified as FSC certified materials. For all other suppliers, no claims were found on the sales and delivery documents, including PEFC certified Cosmo and FSC certified Fortress, FSC certified Juntai, and FSC certified Caima.</p> <p>The FSC certified material sourced by the organization in 2017 (Jan-June) account for 15% of the total procurement.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p> <b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available </p>

	<p><b>Description of the finding:</b> Only apply to mills/production sites that have purchasing responsibilities</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> As stated in 2.7, the overseas supplier outgoing transportation documents could only identify the origin of the dissolving pulp but not the origin of forests. The domestic suppliers outgoing transportation documents were not provided to auditor for review.</p>
<p><b>Observation:</b> The production site/mill maintains all delivery documentation related to the wood fiber inputs, and the organization wasn't able to identify the forest origin.</p>	

<p><b>4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.</b></p>	
<p><b>Indicators</b></p>	<p><b>Findings:</b></p>
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> In the pulp sourcing policy, the organization committed to avoid illegally harvested and traded pulp. Interviews confirmed the organization is fully aware the relevant laws and the auditors found no evidence of non-compliance with laws.</p>
<p>4.5 Production site/mill understands the definitions of Ancient and Endanger forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> The auditor interviewed several key managers in the mill and no one could explain what exactly the Ancient and Endangered Forests and controversial sources are. It is not demonstrated yet that they completely comply with the commitment to not procure wood from ancient and endangered forests and controversial sources.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Only apply to mills/production sites that have purchasing responsibilities
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.	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Only apply to mills/production sites that have purchasing responsibilities
<p><b>Observation:</b> Key managers in the mill could not explain what exactly the Ancient and Endangered Forests and controversial sources are.</p> <p>It is not demonstrated yet that they completely comply with the commitment to not procure wood from ancient and endangered forests and controversial sources.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings:
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying nonconformances to the CanopyStyle policy and sanctions to suppliers in such cases where non conformances are identified.	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Only applies to mills/production sites that have purchasing responsibilities.

