



CanopyStyle Audit Report for Jiangsu Huasaier New Material Technology Co., Ltd.

Assessment 2025

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Organisation Contact
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Co.,Ltd

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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 *Jiangsu Huasaier New Material Technology Co.,Ltd* hereafter referred to as “**Company**”, against the requirements of the Verification Framework and Guidelines, (September 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 500 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic 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

Located in Peixian Economic Development Zone, Jiangsu Province, Jiangsu Huasaier New Material Technology Co., Ltd is a new material technology company that invested in the Lyocell fiber project. The company was established on July 31, 2018, and officially started trial operation in June 2020. The company independently developed, registered and produced "Huacel", a new type of environmentally friendly fiber, which is praised by the international textile industry as the "Green Fiber of the 21st Century".

Currently, there are two production lines with an annual production capacity of 60,000 tons. The plan is to expand to 300,000 tons in the future. The company is only producing lyocell staple fiber which is made of 100% wood pulp.

The company has always adhered to the business philosophy of high-quality green and sustainable development, actively promoted responsible forest management, actively promulgated and followed the wood pulp procurement policy, and continuously improved it, and worked with suppliers to promote the sustainable development of the global wood pulp supply chain.

The company holds a number of third-party certificates, such as:

- FSC Chain of Custody: BV-COC-207915
- OEKO-TEX STANDARD 100
- ISO 45001:2018 (Certification of Occupation Health and Safety Management System)
- ISO 14001:2015 (Certification of Environmental Management System)
- ISO 9001:2015 (Quality Management System Certificate)

Important Note: during this reporting period, the sourcing was conducted separately by Jiangsu Jinrongtai New Material Technology Co., Ltd (1-Apr-2024 to 31-Dec-2024) and Jiangsu Huasaier New Material Technology Co., Ltd (1-Jan-2025 to 31-Mar-2025).

A tri-party lease agreement was provided among Jiangsu Jinrongtai, Jiangsu Huasaier and the local government body (Economic Development Zone Management Committee, Pei County, Jiangsu Province) which explained the latest relationship between Jiangsu Jinrongtai and Jiangsu Huasaier. The agreement shows that Jiangsu Huasaier will utilize the existing idle land and factory buildings of Jiangsu Jinrongtai New Material Technology Co., Ltd to operate collaboratively under a lease contract model. Once completed, it will form a scale of producing 55,000 tons of lyocell fiber annually. Therefore, during the reporting period, the factory/site/mill's land, facility and workers are under Jiangsu Jinrongtai New Material Technology Co., Ltd's management, while the management staff is under Jiangsu Huasaier's management.

1.2 Company scope (sites, locations, etc)

Sites included in evaluation	Location
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Corporate Office: Jiangsu Huasaier New Material Technology Co., Ltd.	Room 203, Building 9, The second phase of Science and Technology Venture Park, Peixian Economic Development Zone, 221600, Peixian, Xuzhou, Jiangsu, China
Mill: Jiangsu Huasaier New Material Technology Co., Ltd. (Lyocell staple fiber)	

The company has only one mill for this reporting period, and the mill is located with the corporate office together. The mill is only producing lyocell staple fiber, with an annual output capacity of 60,000 tons within this reporting period.

1.3 Company sourcing policy

The company published and updated their Fibre Procurement Policy for Protecting Forests, effective from 20 April, 2025, which is publicly available on its website: [Sourcing Policy](#)

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% dissolving pulp	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: sourcing maps are only provided from 2 suppliers (LD Cellulose and Arauco). International Paper and Lenzing Paskov didn't provide sourcing maps.
Mill Capacity:	60,000 ton/year of lyocell staple fiber	
Primary Activity:	Lyocell staple fiber production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 253	Permanent female: 145
	Contract male:	Contract female:
	TOTAL: 397	

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Peiying Zhou	Sustainability Specialist; CanopyStyle auditor; Qualified LegalSource auditor; PbNC certificate auditor; Completed the FSC CoC expert course; Experienced in mainstream sustainability practises including sectors of pulp/paper, textile and timber, etc. Rich experience in timber legality related projects, especially in EUTR/EUDR, FLEGT Action Plan (VPAs) related activities, as well as also provides advisory services to clients in the forest-impact sector to support them in sourcing legal and responsible sources. Adequate knowledge and understanding in international timber legality requirements

3.2 Audit Scope Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Head Office, Jiangsu Huasaier New Material Technology Co.,Ltd	25 June 2025	4 hours
Lyocell staple fiber mill	25 June 2025	4 hours

3.3 Description of Overall Audit Process

The audit officially started on 12-May -2025. The auditor started contacting the Company by requiring relevant documentation based on the latest CanopyStyle audit guidelines and framework.

The Company sent over a number of documents such as sourcing policy, organizational chart in implementing the policy, standard operation manual, communication with suppliers on sourcing requirements, risk assessments with evidence for the reporting period (01-Apr-2024 to 31-Mar-2025) for all suppliers, procurement data samples, sales data samples, evidence on conservation, evidence on social issues from suppliers, etc.

On 25-June-2025, the auditor conducted the on-site audit at the corporate office, with the presence of management representative and the key staff from relevant departments from the corporate office. During the opening meeting, the objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. The management representative gave a brief introduction of the company and operation activities and the efforts made on Canopy sourcing policy. The auditor then shared major findings from reviewing the documentation.

Following the opening meeting, the auditor interviewed the management team regarding action plan and any updates in regard of practices with Canopy policy commitment, Company structure, Canopy training, purchase policy, supplier management, environment protection, forest protection, etc.

After interview with management, auditor echoed on the pre-evaluation feedback for the 1st batch documents provided from the company and also reviewed additional documents such as business licenses of the company, the mills, environmental impact assessment, procedure related to ILO's declaration on fundamental principles and rights at work, etc. ,

Then, the auditor toured the company's mill including the production line(s) and warehouse(s). When touring the warehouse(s), the auditor checked on the mill's input and output records, storage for the pulp in use.

In combination with reviewing documents and visiting the company's facilities, the auditors interviewed the staff from various departments, including product department, sourcing department, etc.

The closing meeting was held on the same day. The auditors gave a summary of the meeting, raised issues and acquired for additional further information within two weeks'

time after the meeting. The Company provided further required additional documentation at a later stage as well as responded to some of the major concerns, such as missing purchase invoices, transportation documents, latest sourcing material information. For details please refer to the report findings.

Participants:

- Mr. Cao Huagang, Production director
- Mr. Shen Weiguo, Representative of Canopy policy implementation
- Mr. Zhu Ping, Director of the Quality Control Department
- Mr. Li Qiang, Manager, Purchasing Department
- Mr. Li Kangkang, Supervisor, Warehouse
- Ms. Ding Wenping, HR Specialist, HR Department
- Ms. Lu Xiaoting, Administrator

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive Findings:

The Company has been implementing the pulp sourcing policy in line with CanopyStyle initiative starting from 20 April 2025. A standard operation procedure (SOP)_ [Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual] has been developed by the HQ to implement the Policy as well as monitor on the suppliers' performance. The standard operation procedure is shared with the mill. The Company has also developed capacity as well as organizational structure in implementing the Policy. Management team as well as the production site managers are trained how to implement the policy and procedure.

The Company keeps communicating about the pulp sourcing policy with all suppliers.

The dissolving pulp suppliers list was made publicly on the Company's official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group.

The Company has made significant improvements in their systems to comply with the CanopyStyle requirements, particularly in the areas of Leadership Group engagement, and completion of the risk assessment. The company is willing to participate in events that support collaborative and visionary solutions which aim to protect remaining Ancient and Endangered forests.

The company exclusively uses lyocell technology to make lyocell staple fiber which is confirmed by onsite visit (production line, warehouse) and interviews of staff at production and technology department.

Areas for Improvement:

During audit, the auditor reviewed suppliers' contract samples provided by the company and found the requirements to implement the Policy were NOT added in the current agreements/contract (this reporting period). The company agreed to add such requirements in the contract for future procurements. The new contract template has been provided to the auditor.

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, and during this audit suppliers only disclosed up to sub-regional/country level. Therefore, origin of material for suppliers is only known at a sub-regional/country level creating a broad sourcing area having a potential overlap with Ancient and Endangered forests.

Although trainings were taking place within the company, interviews with key manager showed that there is still room for improvement in raising the awareness of the Policy and also to demonstrate a similar commitment to implement it.

In terms of whether the wood comes from forest/plantation where no conversion of natural forest to plantations has occurred, no conclusive evidence was provided from the Company as well as from the suppliers, except their products' FSC certificate status. Company shall work further to gather conclusive evidence from supplier in this regard.

The company provided the sourcing information form which includes information such as suppliers' info (including trader), percentage of total input from each pulp supplier, species info, forest origin (up to regional / country level), volume info, certification status of purchased pulp, output product name, etc... The dissolving pulp mills are identified, however the traders along the supply chains are not fully identified (i.e. for some traders, lacking trade and transport documents to link all traders from the pulp mill to the company).

Canopy shared an advice note (effective 1 June 2019) that introduces a new tool (Dissolving Pulp Mill Classification) to be used in addition to the Forest Mapper when conducting risk assessments for sourcing from ancient and endangered forests. The new tool outlines commonly used dissolving pulp mills and a determination of risk considering priority ancient and endangered forests. Below please find the results comparison between the company internal risk assessment conducted for this auditing period and the Canopy Dissolving Pulp Classification Tool:

Comparison between the Company's risk assessment results and Canopy Dissolving Pulp Classification Tool:

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Arauco	Low Risk	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
International Paper	Low Risk	In proximity to habitat of species at risk.

LD Celullose	Low Risk	No Ancient and Endangered Forest sourcing issues identified based on current Information and/or CanopyStyle Audit.
Lenzing Biocel Paskov a.s.	Low Risk	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.

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 Met</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 organizational 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 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 Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment Not Met</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment Met</i>
	2.3 This 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>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment Met</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment in Progress</i>
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>
3. MMCF supply chain is deforestation free- there is 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 in Progress</i>
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and	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",	<i>Commitment Met</i>

other controversial sources have been eliminated	"endangered species", "controversial sources", "high conservation value", "high carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	
	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 in Progress</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	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<i>Commitment in Progress</i>
	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 Met</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, the Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<i>Not Applicable</i>
*If If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a	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	<i>Not Applicable</i>

manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)	areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	<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 requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	<i>Not Applicable</i>
7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies in the forestry sector Note: This audit focuses on only	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **	<i>Commitment Met</i>

on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.		
	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. **	<i>Commitment in Progress</i>
	7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.	<i>Commitment in Progress</i>
	7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.	<i>Commitment in Progress</i>
	7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.	<i>Commitment in Progress</i>
	7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and	<i>Commitment in Progress</i>

	remedy past or current human rights violations. **	
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment Not Met</i>
	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.	<i>Commitment Not Met</i>
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	<i>Not Applicable</i>
	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. **	<i>Not Applicable</i>
	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>Not Applicable</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 Not Met</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 Met</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	<p>12.1 * This verification process <u>will not</u> verify the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<i>Not Applicable</i>

4.3 Volume Summaries⁵

Reporting period: 1-Apr-2024 to 31-Aug-2024 (Jiangsu Jiangsu Jinrongtai New Material Technology Co., Ltd New Material Technology Co., Ltd)

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)		
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		
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.	9319.58	100%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)		

Reporting Period: 1-Sep-2024 to 31-Mar-2025 (Jiangsu Huasaier New Material Technology Co., Ltd)

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)		

⁵ The volume summary is provided by the organization.

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		
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.	25932.02	100%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)		

Note: by sampling checking the procurement data, it's found that:

- **Arauco**, non-certified pulp supplied
- **International Paper**, non-certified pulp supplied
- **Lenzing Biocel Paskov**, non-certified pulp
- **LD Cellulose**, from LD Cellulose to the traders, the pulp is traded as FSC Mix Credit certified, however, from the traders onwards, the pulp is no longer traded as certified. Therefore, also concluded as non-certified pulp.

(The auditor first asked for 5-6 sets of procurement documents from Arauco, International Paper, LD Cellulose and 2 sets from Lenzing Paskov. However, the company cannot provide complete trade and transport documents from the pulp mills to the company and according to the company, some of the chosen sample contracts are still in progress, so not able to provide sufficient documents. And then auditor asked for another 2 sets of purchasing data from each supplier for those contracts that are completed and finished. However, for some of the newly chosen sampled contracts, the company still couldn't provide sufficient documents linking pulp mills to the company).

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

1. Evaluation of Corporate Sourcing: Jiangsu Huasaier New Material Technology Co.,Ltd

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Shen Weiguo, Representative for Canopy in the company.
Auditor(s):	Zhou Peiying
People Interviewed, Titles:	<ul style="list-style-type: none"> - Mr. Shen Weiguo, Representative of Canopy policy implementation - Mr. Wang Youchun, Deputy General Manager, who is also overseeing the site production - Mr. Li Qiang, Manager, Purchasing Department - Mr. Li Kangkang, Supervisor, Warehouse - Ms. Ding Wenping, HR Specialist, HR Department - Ms. Lu Xiaoting, Administrator

Brief Overview of Audit Process for this Location:

Please refer to Section 2.3 above for Description of Overall Audit Process.

Comments: the Corporate Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p>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: The Company published Fibre Procurement Policy for Protecting Forests to promote sustainable forest management and conserve ancient and endangered forests (effective on 20 Apr,2025), the policy is publicly available on its website: 保护森林采购政策-</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>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: The SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual) was developed by the company to implement the policy related to conserve ancient and endangered forests and avoid controversial sources. The SOP available from the company included:</p> <ul style="list-style-type: none"> - Procurement Management Procedure

	<ul style="list-style-type: none"> - Procedure on monitoring the performance on suppliers - Procedure on evaluation on whether suppliers source from IFL and/or tropical peatlands - Criteria on supplier risk assessment - Procedure on addressing of complaints <p>On the procedure of procurement management, the company raised the related requirement before sourcing to the supplier on not sourcing from A&E forest as well as other controversial sources, especially asking suppliers to disclose sourcing information and provide relevant evidence (such as contract, certificate of origin and/or other supporting documents related to sourcing, trade and transport documents, etc)</p> <p>And then segregation requirement is applied from purchasing to warehouse management and to production and sales.</p> <p>On the procedure of monitoring the performance of suppliers, the company requires to keep a regular communication with suppliers, conducts trainings to suppliers and also there is procedure of monitoring the suppliers such as conducting regular desktop-based evaluations.</p> <p>As of the assessment criteria on assessing the suppliers, the company will conduct comprehensive assessments and there will be 3 categories graded to the suppliers:</p> <ul style="list-style-type: none"> - High risk supplier (sourcing from A&E forests verified and/or Serious compliance deficiencies and/or Controversial conflict record) - Middle risk supplier (Risks of operating in marginal areas which might be located close to A&E forests and/or
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	<p>Defects in the certification system and/or with a history of disputes detected)</p> <ul style="list-style-type: none"> - Low risk supplier (Meeting compliance requirements and holding valid certification and management schemes as well as no record of disputes) <p>For high-risk supplier, cease the procurement within 72 hours, report to Canopy and ask supplier to develop and implement mitigation actions. The mitigation actions need be completed within 90 days. For middle-risk supplier, mitigation actions also required, and the deadline is 6 months to complete the mitigations.</p> <p>The procedure is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has established a Sustainable Development Committee, where Mr. Shen Weiguo from the General Affairs Department, is the director of this committee. Mr. Shen is in charge of the overall responsibility for sourcing policy implementation. Directors from Purchasing Department, Production Department as well as Quality Control Department are also engaged in this Committee.</p> <p>The organizational chart provided for the audit shows that other departments are involved in this commitment implementation:</p> <ul style="list-style-type: none"> - Purchasing Department - Warehouse - Production Department - Compliance Department

	<p>However, the interviews of Mr. Shen Weiguo didn't show that he was fully aware of their responsibilities in implementing the policy.</p>
1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company's organizational structure for implementation of policy has been shared with the auditor. Please refer to 1.3 for more findings.</p>
1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**	<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 communicated its commitment to all suppliers through phone calls. All suppliers replied that due to suppliers' internal management policies, they were unable to sign off on policies other than those formulated or approved by themselves. However, according to the company, all suppliers expressed their willingness to comply with the Policy.</p> <p>Arauco, and Pulp Trading (Lenzing) provided their sourcing policy, code of conduct, sustainability report, human rights related policy, etc indicating their efforts in promoting sustainable sourcing and human rights.</p> <p>Arauco also provided a contact letter confirming their willingness in protecting ancient and endangered forests.</p>

arauco

Santiago, August 13th, 2025

Contact Letter

As an internationally renowned producer of pulp, our company shares the responsibility of protecting the environment. We are willing to commit to responsible fiber procurement policy and proactively avoid the risks associated with purchasing from ancient and endangered forests with our customers. We also will join hands with them in creating a transparent supply system, protecting global ancient and endangered forests, and promoting sustainable forest management.

Kind regards,



Guillermo Bustos Lasagna
Technical Support Manager
Celulosa Arauco y Constitución S.A



International Paper also provided a letter to the company (**but it's issued to Jiangsu Jinrongtai New Material Technology Co., Ltd**) stating their commitment in compliance with all applicable laws, regulations and treaties, protecting human rights including the Declaration of Fundamental Principles and Rights at Work from ILO, as well as responsible sourcing.



July 9, 2025

To: Jiangsu Jinrongtai New Materials Technology Co., Ltd
No.21 Peigong Road, Economic and Technological Development Zone
Pei County, Xuzhou, Jiangsu, China
致：江苏金荣泰新材料科技有限公司
中国江苏省徐州市沛县经济开发区沛公路 21 号

Dear Respected Customer:
尊敬的客户：

We, International Paper Company ("IP"), have received your request to sign an acknowledgement letter on compliance with your procurement policy and provide our relevant policy documents on protecting labor rights. IP understands and appreciates your need to work with suppliers who conduct their operations in an ethical manner and are in compliance with the laws and regulations in the regions in which they operate. Such that, IP is willing to provide the following statement of commitment and certification:

我们，国际纸业公司（简称“国际纸业”），收到了贵司要求我们签署遵循贵司采购政策的声明，以及提供我们保护劳动者权利的相关政策文件的请求。国际纸业理解贵司的需求，在与供应商合作时需要对方以合乎道德的方式开展业务并遵守贵司所在地区/国家的法律法规。国际纸业愿意提供以下声明并承诺：

IP is committed to conducting business with honesty and integrity wherever we operate around the world, treating people with dignity and respect, and complying with all applicable laws, regulations and treaties. All employees are required to follow our company Code of Conduct and policies, and all suppliers and contractors are expected to comply with the principles of our Supplier Code of Conduct. A copy of IP's Code of Conduct and IP's Supplier Code of Conduct can be found by accessing the following links:

无论国际纸业在世界各地开展业务，我们都致力于以诚实和正直的方式开展业务，以尊敬和尊重的态度对待他人，并遵守所有适用的法律、法规和条约。国际纸业要求我们所有的员工都必须遵守我们公司的《行为守则》和公司政策。同样我们也会要求我们的所有供应商和承包商都应遵守我们的《第三方行为准则》中的原则。国际纸业的《行为守则》和《第三方行为准则》的副本可以通过访问以下链接找到：

	<p>http://www.internationalpaper.com/company/ethics https://www.internationalpaper.com/company/suppliers/third-party-code-of-conduct</p> <p>IP is also committed to protecting human rights globally. We do not tolerate illegal child labor, forced or compulsory labor, or any use of force or other form of coercion, fraud, deception, abuse of power or other means to control people in order to exploit them. IP further certifies that we have processes and procedures in place and ongoing process improvements in progress designed to detect, mitigate, protect or respond to the occurrence of various legal and ethical risks including corruption or bribery, human trafficking and slavery in our supply chain and to compel compliance with laws, including those governing human trafficking, slavery and anti-corruption.</p> <p>国际纸业亦致力于在全球范围内保护人权。我们绝不容忍非法童工、强迫或强制劳动，也不容忍任何使用武力或其他形式的胁迫、欺诈、欺骗、滥用权力或其他手段控制他人并剥削他人的行为。国际纸业进一步声明，我们有适当的流程和程序，以及正在进行的流程改进，均能够检测、减轻、保护或应对各种法律和道德风险的发生，包括我们供应链中的腐败或贿赂、人口贩运和奴役并将符合强法中包括有关人口贩运、奴役和反腐败的合规要求。</p> <p>IP conducts due diligence, risk analysis, and ongoing monitoring of our suppliers. We train our Global Sourcing and Supply Chain Operations employees on the red flags of forced labor and</p> <p></p> <p>human trafficking and how to respond to potential risk situations. We also require our suppliers to contractually commit to comply with IP's Supplier Code of Conduct (or a supplier's own substantially similar code), which provides for compliance with all applicable laws, including those protecting against corruption and bribery and combating human trafficking and slavery. As appropriate across our global regions, IP also provides training material and resources to temporary employees, suppliers and contractors.</p> <p>国际纸业会对合作的供应商进行尽职调查、风险分析和持续监控。我们为采购和供应链运营部门的员工提供培训，帮助他们识别强迫劳动和人口贩运的危险信号，并学习如何应对潜在的风险。我们还要求与我们合作的供应商通过合同承诺遵守国际纸业的《第三方行为准则》（或供应商自身制定的类似的准则），该准则规定供应商必须遵守所有适用法律，包括反腐败和贿赂以及打击人口贩运和奴役的法律。国际纸业还会根据全球各地的实际情况，为临时员工、供应商和承包商提供培训材料和资源。</p> <p>IP also recognizes the principles established by the International Labour Organization ("ILO") through its 1998 Declaration of Fundamental Principles and Rights at Work (the "Principles") that serve to guide governments in the protection of basic rights of workers. We note that the ILO conventions are not a certification tool, and are not designed to be entered into by non-government entities. Rather, the core conventions were designed to be entered into by governments. Many of the countries in which IP does business (including the United States) have not ratified all of the core conventions. IP, however, complies fully with the laws of those countries where it does business, and where the rights and responsibilities granted by those laws are not inconsistent with core conventions, IP will be in compliance with them.</p> <p>国际纸业认可国际劳工组织通过其 1998 年《工作中的基本原则和权利宣言》（“原则”）确立的原则，这些原则旨在指导各政府保护工人的基本权利。我们注意到，国际劳工组织的公约并非认证工具，其设计目的并非供非政府实体签署。相反，核心公约只能由政府签署。国际纸业开展业务的许多国家（包括美国）尚未批准所有核心公约。然而，国际纸业完全遵守其开展业务的国家的法律，并且如果这些法律赋予的权利和责任与核心公约不相冲突，国际纸业也将遵守这些法律。</p> <p>IP also certifies that, to the best of our knowledge, we comply with applicable laws including, but not limited to, California Transparency in Supply Chains of 2010 (CTSCA); the Federal Victims of Trafficking and Violence Protection Act of 2000, as amended the Foreign Corrupt Practices Act of 1977; UK Bribery Act 2010; UK Modern Slavery Act 2015, applicable anti-bribery laws and laws related to conflict minerals and we do not support sourcing of conflict minerals originating from Democratic Republic of Congo. IP through its own due diligence has confirmed that the materials we source for the production of our paper, pulp and packaging products do not include, and by their nature are not composed of, conflict minerals, and therefore, the materials we source from suppliers for the manufacture of our products do not include conflict minerals.</p> <p>另外，国际纸业保证，就我们所知，我们遵守适用的法律，包括但不限于 2010 年加州供应链透明度法案（CTSCA）、2000 年联邦人口贩运和暴力受害者保护法（经 1977 年反海外腐败法修订）、2010 年英国反贿赂法、2015 年英国现代反奴隶制法案、适用的反腐败法律以及与冲突矿产有关的法律，并且我们不支持采购源于刚果民主共和国的受冲突影响的矿石。国际纸业通过自身的尽职调查已确认，由于从性质上来讲我们为生产纸张、纸浆和包装产品所需的原材料并不由冲突矿石组成，因此，我们从供应商处采购的用于生产我们产品的材料不包含受冲突影响的矿石。</p> <p>Should you have any questions, please do not hesitate to contact us. 若贵司有任何问题，请随时与我们联系。</p> <p>International Paper Company</p> <p>By:  Name: Laura Ramon Title: GCF Sustainability Manager</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</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>During audit, auditors reviewed suppliers' contract samples provided by the company, the requirements to implement the Policy were NOT added in the current agreements/contract (this reporting period). The company agreed to add such requirements in the contract for future procurements. The new contract template has been provided to the auditor.</p>

1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**

Conformance with Indicator:

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

Description of the finding:

The company has developed and implemented the internal control procedure_ the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual)

for dissolving pulp sourcing for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company.

The procedure is composed of five segments including Procurement Management Procedure / Supplier Management Procedure.

On the procedure of procurement management, the company raised the related requirement before sourcing to the supplier on not sourcing from A&E forest as well as other controversial sources, especially asking suppliers to disclose sourcing information and provide relevant evidence (such as, contract, certificate of origin and/or other supporting documents related to sourcing, trade and transport documents, etc)

And then segregation requirement is applied from purchasing to warehouse management and to production and sales.

On the procedure of monitoring the performance of suppliers, the company requires to keep a regular communication with suppliers, conducts trainings to suppliers and also there is procedure of monitoring the suppliers such as conducting regular desktop-based evaluations.

	<p>As of the assessment criteria on assessing the suppliers, the company will conduct comprehensive assessments and there will be 3 categories graded to the suppliers:</p> <ul style="list-style-type: none"> - High risk supplier - Middle risk supplier - Low risk supplier <p>For high-risk supplier, cease the procurement within 72 hours, report to Canopy and ask supplier to develop and implement mitigation actions. The mitigation actions need be completed within 90 days. For middle-risk supplier, mitigation actions also required, and the deadline is 6 months to complete the mitigations.</p> <p>This audit is the company's first CanopyStyle audit, the company conducted the risk assessment to evaluate all of their sourcing to see whether there is any risk of sourcing from A&E forests and other controversial sources by collecting sourcing info from all their pulp suppliers/traders.</p> <p>During on-site check, at the pulp warehouse, every branded pulp is separated pile by pile. Since this is the first CanopyStyle audit, other requirements of such a system/procedure such as whether keep a regular communication with supplier, conduct risk assessment on a regular base, etc could be assessed during next audit year.</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</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: The grievance procedure has been compiled into the internal control procedure_ the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual).</p> <p>According to the procedure, a Standardized Complaint Handling Procedure is created:</p>

	<ul style="list-style-type: none"> - Trigger a warning within 2 hours and initiate temporary freezing of supplier collaboration, allocating to the corresponding departments. - Investigate within 48 hours, submission of the 'Urgent Issue Handling Report' within 7 days; the responsible department should complete the investigation within 10 days, with no more than 30 days for on-site visits if needed; develop a handling plan: compliance rectification / policy explanation / economic compensation, etc.; - Feedback results to be given through the original channels. - Establish a complaint file to record the type of issues, the handling process, and the responsible department, and include it in the annual compliance report. <p>The company is FSC certified which requires a grievance procedure as well.</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</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>No complaints have been received, and no non-conformities have yet been recognized during the time scope of this audit, according to the company.</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</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The company conducted 3 trainings on the policy and Canopy requirements, FSC and Human Rights from Jun 2024 to Jan 2025 :</p> <ul style="list-style-type: none"> - 15 June, 2024. Topic: CanopyStyle framework and guidelines as well as sourcing requirement. Departments engaged: Purchasing Department - 20 Dec, 2024. Topic: Core sourcing requirement against FSC certification. Departments engaged: Purchasing Department - 5 Jan, 2025. Topic: Interpretation on environmental protection, respect for human rights, and refusal of material from endangered forests. Departments engaged: Purchasing Department. <p>The interview with the Deputy General Manager, who is also in charge of the site production confirms that he is aware of the policy and are implementing it.</p>
<p>1.11 Each production site managers have developed procedures to implement the Policy, when relevant.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The internal control procedure_ the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual) for dissolving pulp sourcing for the implementation of Pulp Procurement Policy developed by the corporate office is shared with the mill.</p> <p>The interview with the Deputy General Manager, who is also in charge of the site production confirms that he is aware of the policy and are implementing it.</p>
<p>Summary:</p> <p>The company has developed a fibre sourcing policy with supporting procedures for implementation of Canopy requirements and conducted training. The sourcing policy is made available on the company's website and communicated to the suppliers. Capacity and organizational structure were established to ensure the implementation.</p> <p>The company communicated its commitment to all suppliers through phone calls. All suppliers replied due to suppliers' internal management policies; all suppliers are unable to sign off on policies other than those formulated or approved by themselves. However, according to the company, all suppliers expressed their willingness to comply with the Policy.</p>	

The company has developed and implemented the internal control procedure for dissolving pulp sourcing for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company.

Interview with the key managers showed that not all relevant managers are aware of the policy and are implementing it.

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

Indicators	Findings
2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has identified all raw material inputs by volume as required. The company provided the sourcing information form which includes information such as suppliers' info (including trader), percentage of total input from each pulp supplier, species info, forest origin (up to regional / country level), volume info, certification status of purchased pulp, output product name, etc... The dissolving pulp mills are identified, however the traders along the supply chains are not fully identified (i.e. for some traders, lacking trade and transport documents to link all traders from the pulp mill to the company)</p> <p>The supply chains are mapped back to sub-regional or country level, again, Forest Management Units' info is not provided.</p> <p>The company has an overview of declared pulp from International Paper, Aruco, LD Celulose , Lenzing Biocel, but the auditor noted there are other 3 additional pulps appearing in the ledger book and 1 additional pulp detected at the warehouse during the on-site audit without</p>

	<p>declaration. The company claimed that all those 4 additional pulps are only for experiments, and not for regular production, so they didn't declare.</p> <p>The company did not provide all required traded and transport documents linking all traders from the pulp mill all the way to the company. If the company does not disclose the supply chain map, it is possible that there is sourcing beyond those declared 4 pulp mills during the reporting period. Given this situation, the grading is considered as Commitment Not Met.</p>
<p>2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.</p>	<p>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 conducted the risk assessments for all 4 suppliers within the reporting period by combining the information collected from suppliers, using Forest Mapper as well as the Dissolving Pulp Classification Tool to define whether there are A&E forests as well as if there are other controversial sources involved in sourcing. The risk assessment results for 4 suppliers and their sourcing are provided to the auditor.</p>
<p>2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>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: During the supply chain assessment, not all suppliers are identified. i.e. all dissolving pulp suppliers are identified, however, traders along the supply chain are not fully identified (there are not sufficient trade and transport documents linking all traders along the supply chains). In addition, by checking upon all the purchasing documents, there are no trade and</p>

transport documents provided from the forest(s) level.

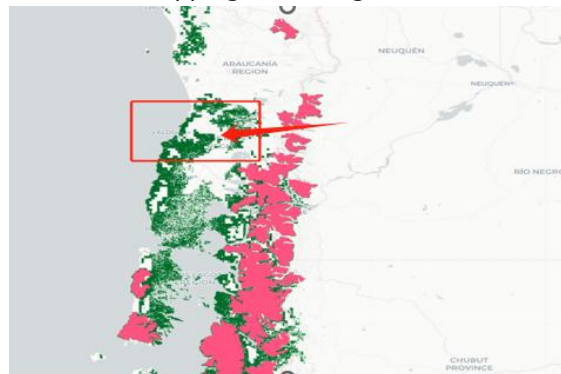
All 4 pulp suppliers provided their sourcing policies, code of conduct, sustainability policies/report indicating their efforts on responsible sourcing.

For the assessment on whether there are A&E forests involved in sourcing, among the 4 pulp suppliers, Arauco and LD Cellulose provided sourcing maps:

Arauco:



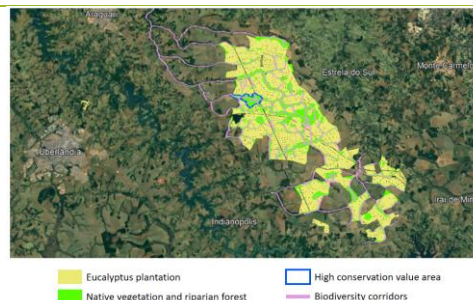
By comparing with Forestmapper, there is A&E forests overlapping in the region:



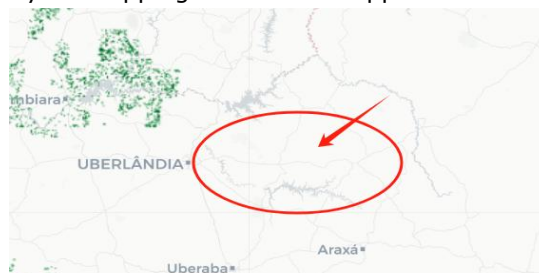
However, according to the latest Dissolving Pulp Mill Classification Tool, Arauco is graded as **No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.**

LD Cellulose:

The sourcing region is provided as below:



By overlapping with ForestMapper:



It's seen that no A&E forests or IFL are overlapping with the provided sourcing region. And according to the latest Dissolving Pulp Mill Classification Tool, LD Cellulose is graded as **No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.**

For International Paper and Lenzing Biocel Paskov, no sourcing maps provided. According to the latest Dissolving Pulp Mill Classification Tool:

- International Paper is graded as **In proximity to habitat of species at risk.**
- Lenzing Biocel Paskov is graded as **No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.**

For the assessment on whether there are other controversial sources involved, the company checked all 4 pulp suppliers from public domains on their general business practices in terms of legality, human rights practices and concluded low risk. In addition, there is no assessment on whether GMO species is in use, as well as no assessment on whether there are or there is not conversion of natural forest to plantations (1994 dates) for this reporting period.

The company concludes that all 4 suppliers as low risk because:

1. All of them have several 3rd party certificates such as FSC COC certification, PEFC COC certification.

	<p>2. Public resources showed that all pulp suppliers actively participate in various forest protection measures and have a comprehensive forest protection system, protecting threatened sites and endangered species. Furthermore, in terms of human rights protection, fair wages and labor rights are guaranteed. The pulp suppliers actively support surrounding communities, forestry, and regional education initiatives, providing support for local cultural education and sports activities. No controversial records have been found through various websites and data disclosures.</p> <p>Therefore, according to the company, all 4 suppliers are concluded as low risk.</p> <p>By checking the sampled purchasing documents received at the company for this reporting period, there are no certified pulp supplied to the company at all. Risks related to legality, human rights violation, GMO species and conversion of natural forest to plantations (1994 dates) cannot be verified. Potential risks are raised.</p> <p>Note: by sampling checking the procurement data, it's found that:</p> <ul style="list-style-type: none"> - Arauco, non-certified pulp supplied - International Paper, non-certified pulp supplied - Lenzing Biocel Paskov, non-certified pulp - LD Cellulose, from LD Cellulose to the traders, the pulp is traded as FSC Mix Credit certified, however, from the traders onwards, the pulp is no longer traded as certified. Therefore, also concluded as non-certified pulp. <p>The auditor first asked for 5-6 sets of procurement documents from Arauco, International Paper, LD Cellulose and 2 sets from Lenzing Paskov. However, the company cannot provide complete trade and transport documents from the pulp mills to the company and according to the company, some of the chosen sample contracts are still in progress, so not able to provide sufficient documents.</p> <p>And then auditor asked for another 2 sets of purchasing data from each supplier for those contracts that are completed and finished. However, for some of the newly chosen sampled contracts, the company still couldn't provide sufficient documents linking pulp mills to the company.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

with the Leaders Group	<p> <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: This audit is the first CanopyStyle audit for the company. According to the Company, the assessment is going to be updated every year. During the audit this time, the evidence and the assessment for this reporting period was provided to the auditor, it has been shared with Canopy also. The company is also willing to share with the Leaders Group.</p>
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>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: For the assessment on whether there are other controversial sources involved, the company checked all 4 pulp suppliers from public domains on their general business practices in terms of legality, human rights violation and concluded low risk. In addition, there is no assessment on whether GMO species is in use, as well as no assessment on whether there are or there is not conversion of natural forest to plantations (1994 dates) for this reporting period. By checking the sampled purchasing documents received at the company for this reporting period, there are no certified pulp supplied to the company at all. Risks related to legality, human rights violation, GMO species and conversion of natural forest to plantations (1994 dates) cannot be verified. Potential risks are raised. Please refer to indicator 2.3 for detailed findings.</p>
<p>2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>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>

	Description of the finding: The Company has published its updated suppliers on its website: 溶解浆供应商名单-
Summary: <p>The company has identified all raw material inputs by volume as required. The supply chain maps are not fully disclosed. The dissolving pulp mills are identified, however the traders along the supply chains are not fully identified (i.e. for some traders, lacking trade and transport documents to link all traders from the pulp mill to the company). The supply chains are mapped back to sub-regional or country level, again, Forest Management Units' info is not provided.</p> <p>The company conducted the risk assessments to suppliers within the reporting period by combining the information collected from suppliers, using ForestMapper as well as the Dissolving Pulp Classification Tool to define whether there are A&E forests involved in sourcing. The company also tried to expand the evaluation criteria with additional criteria, however, the company checked all 4 pulp suppliers from public domains on their general practices in terms of legality, human rights violation. There is no evidence provided assessing these 2 criteria for the pulp purchased during this reporting period.</p> <p>This audit is the first CanopyStyle audit for the company.</p> <p>According to the Company, the assessment is going to be updated every year. During the audit this time, the evidence and the assessment for this reporting period was provided to the auditor, it has been shared with Canopy also. The company is also willing to share with the Leaders Group.</p>	

3. MMCF supply chain is deforestation free – there is no conversion of natural forest to plantations	
Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate.**	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: No solid evidence provided from the company as well as from the suppliers for the pulp/wood purchased within this reporting period, except their FSC certificates as well as sourcing policies, sustainability report, code of conduct, etc claiming they only purchase wood from sources that are sustainably managed and carefully controlled, among which for example,

	<p>LD Cellulose indicated that the area that is being transformed into the LD Cellulose forest unit has been used for cattle raising, intensive agricultural activities such as soybean and coffee, and eucalyptus forestry since the 1970s. No native (primary) forest will be converted.</p> <p>Since there are all non-certified materials supplied to the Company, this indicator is graded as Commitment in Progress.</p> <p>Kindly note:</p> <ul style="list-style-type: none"> - The only forest certification which guarantees no conversion after 1994 is FSC 100%. - PEFC certification at the forest level or in the supply chain does not preclude material originating from plantations. - FSC controlled wood does not necessarily exclude material originating from plantations established after 1994. - FSC Mix Credit pulp, some portion of the supplier's procurement would originate from FSC-certified forests, which meet this requirement. However, some portion would originate from as controlled material, which does not necessarily preclude sourcing from plantations established after 1994. - For the non-certified pulp, no information on origin was provided, therefore there is insufficient evidence to determine that this material does not originate from plantations established after 1994.
	<p>Summary: No solid evidence provided from the company as well as from the suppliers for the pulp/wood purchased within this reporting period, except their FSC certificates as well as sourcing policies, sustainability report, code of conduct, etc claiming they only purchase wood from sources that are sustainably managed and carefully controlled.</p>

Since there are all non-certified materials supplied to the Company, this indicator is graded as Commitment in Progress.

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

Indicators	Findings								
4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has adopted clear definitions for the terms included in their policies and procedures such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.,</p>								
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.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company's internal risk assessments to all suppliers have included identifying ancient and endangered forests as well as partially the other controversial sources requirements.</p> <p>According to the Company:</p> <table border="1"> <thead> <tr> <th>Supplier</th><th>Company Risk Assessment</th></tr> </thead> <tbody> <tr> <td>Arauco</td><td>Low risk</td></tr> <tr> <td>International Paper</td><td>Low risk</td></tr> <tr> <td>LD Cellulose</td><td>Low risk</td></tr> </tbody> </table>	Supplier	Company Risk Assessment	Arauco	Low risk	International Paper	Low risk	LD Cellulose	Low risk
Supplier	Company Risk Assessment								
Arauco	Low risk								
International Paper	Low risk								
LD Cellulose	Low risk								

	<table border="1"> <tr> <td data-bbox="732 217 973 291">Lenzing Biocel Paskov</td><td data-bbox="973 217 1372 291">Low risk</td></tr> </table> <p>The company conducted procurement risk assessments on all 4 dissolving pulp suppliers within this reporting period. Detailed findings please refer to 2.2 and 2.3.</p> <p>The grading is considered as Commitment in Progress, given that not all suppliers could be graded as low risk in not sourcing from ancient and endangered forests as well as not sourcing from other controversial sources.</p>	Lenzing Biocel Paskov	Low risk
Lenzing Biocel Paskov	Low risk		
<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</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 company published and updated their Fibre Procurement Policy for Protecting Forests, effective 20 April 2025.</p> <p>Before the policy adopted, there were no pulp purchased from verified A&E forests and/or other controversial sources by the company.</p> <p>Note: there were pulp purchased from Cosmo and International Paper before the policy adopted.</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</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 interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the organize is in non-compliance with national and international laws.</p> <p>The company holds a number of third-party certificates, most of which cover the compliance with applicable law, including:</p> <ul style="list-style-type: none"> • FSC Chain of Custody: BV-COC-207915 • OEKO-TEX STANDARD 100 		

	<ul style="list-style-type: none"> • ISO 45001:2018 • ISO 14001:2015 • ISO 9001:2015
4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company has conducted internal 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 from 4.1-4.4 above.</p>
<p>Summary:</p> <p>The MMCF producer has adopted clear definitions for the terms included in their Policy. Before the policy adopted, there were no pulp purchased from verified A&E forests and/or other controversial sources by the company.</p> <p>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>The company has conducted their annual 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 in terms of not sourcing from other controversial sources. Detailed findings please refer to 2.2 and 2.3.</p>	
<p>5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them</p>	
Indicators	Findings
5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has identified all raw material inputs by volume as required. The company provided the sourcing information form which includes information such as suppliers' info (including trader), percentage of total input from each pulp supplier, species info, forest origin (up to regional / country level), volume</p>

	<p>info, certification status of purchased pulp, output product name, etc. The dissolving pulp mills are identified, however the traders along the supply chains are not fully identified (i.e. for some traders the company is lacking trade and transport documents to link all traders from the pulp mill to the company).</p> <p>The supply chains are mapped back to sub-regional or country level, again, Forest Management Units' info is not provided.</p> <p>Detailed assessment please refer to findings on indicator 2.3 & 4.2</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>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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>Based on the internal control procedure for dissolving pulp sourcing for the implementation of Pulp Procurement Policy_ the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual), where the suppliers are subject to the monitoring and evaluation from the company.</p> <p>When non-conformance is identified, a notice will be issued immediately, specifying mitigation requirements and deadlines. During the mitigation action implementation period, the progress of the supplier's corrective actions will be tracked to ensure the issues are effectively resolved; if the supplier refuses to mitigate or still does not meet requirements after the mitigation, the cooperative relationship will be reassessed, and termination of cooperation may occur if necessary.</p> <p>When assessing the suppliers, the company will conduct comprehensive assessments and there will be 3 categories graded to the suppliers:</p> <ul style="list-style-type: none"> - High risk supplier (sourcing from A&E forests verified and/or Serious compliance deficiencies and/or Controversial conflict record)

	<p>- Middle risk supplier (Risks of operating in marginal areas which might close to A&E forests and/or Defects in the certification system and/or with a history of disputes detected)</p> <p>- Low risk supplier (Meeting compliance requirements and holding valid certification and management schemes as well as no record of disputes.</p> <p>For high-risk supplier, cease the procurement within 72 hours, report to Canopy and ask supplier to develop and implement mitigation actions. The mitigation actions need be completed within 90 days. For middle-risk supplier, mitigation actions also required, and the deadline is 6 months to complete the mitigations.</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</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>During the period of audit, no non-conformance has been found by the company.</p>
<p>Summary:</p> <p>The company has identified all raw material inputs by volume as required. The supply chain maps are not fully disclosed. The dissolving pulp mills are identified, however the traders along the supply chains are not fully identified (i.e. for some traders, lacking trade and transport documents to link all traders from the pulp mill to the company). The supply chains are mapped back to sub-regional or country level, again, Forest Management Units' info is not provided.</p> <p>Based on the internal control procedure for dissolving pulp sourcing for the implementation of Pulp Procurement Policy_ the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual), where the suppliers are subject to the monitoring and evaluation from the company. The procedure is composed of several segments including management on non-compliance as well as Complaints Handling Procedure.</p> <p>During the period of audit, no non-conformance has been found by the company.</p>	

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

*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to

undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)	
Indicators	Findings
6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<p>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 management confirmed Leaders 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. This indicator is graded as "Not Applicable" due to the fact that no such practice has happened to date.</p>
6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	<p>Conformance with Indicator:</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>This indicator is only required when the company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**	<p>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>This indicator is only required when company's sourcing has been verified as coming from areas where there is record of conflict or human rights violations.</p>
6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p>

<p>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><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 indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>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.</p>	

7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector

Note: This audit focuses on only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.

Indicators	Findings
<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free,</p>

	<p>Prior and Informed Consent of indigenous people and local communities.</p> <p>Currently, Company follows up this indicator via verifying their supplier's certification information and related materials (i.e public report/sustainable report and commitments, statement, code of conducts, relevant Policy etc) from suppliers.</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>Arauco, and Pulp Trading (Lenzing) provided their sourcing policy, code of conduct, sustainability report, human rights related policy, etc indicating their efforts in promoting sustainable sourcing and human rights. For Arauco, they has had conflict with local and Indigenous communities over logging and plantations on their customary lands.</p> <p>Note: both LD Celulose and Lenzing Paskov are under the Lenzing AG, and Pulp Trading is the sales company under Lenzing AG to sell the pulp on behalf of LD Celulose and Lenzing Paskov. The documents mentioned above from Lenzing are provided from Pulp Trading.</p> <p>International Paper also provided a letter to the company (but it's issued to Jiangsu Jinrongtai New Material Technology Co., Ltd) stating their commitment in compliance with all applicable laws, regulations and treaties, protecting human rights including the Declaration of Fundamental Principles and Rights at Work from ILO, as well as responsible sourcing.</p> <p>There is no disclosure on forest(s) level suppliers' information.</p>

	<p>Although all 4 suppliers are FSC certified, since all purchased pulp supplied to the company is non-certified, where there is not any guarantee the upstream suppliers are implementing this requirement. The grading for this indicator is Commitment in Progress.</p> <p>Note: The FSC certification, including the FSC Controlled Wood standard, contains FSC Core ILO requirements and association policy, which can partially cover these requirements. Holding an FSC-COC certification alone is insufficient to document conformance with this commitment. Only FSC 100% certification fully meets these requirements.</p>
<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company is FSC certified and also has a public grievance operation procedure to accept and handle complaints contained in the internal control procedure for dissolving pulp sourcing – the SOP (Jiangsu Huasaier New Material Technology Co., Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual).</p> <p>There is no disclosure on forest(s) level suppliers' information.</p> <p>Although all 4 suppliers are FSC certified, since all purchased pulp supplied to the company is non-certified, where there is not any guarantee the upstream suppliers are implementing this requirement. The grading for this indicator is Commitment in Progress.</p> <p>Note:</p> <ul style="list-style-type: none"> - FSC COC certification and FSC Controlled Wood source (including

	<p>forest managers) require relevant companies to have such a mechanism for their scope.</p> <ul style="list-style-type: none"> - Arauco has had conflict with local and Indigenous communities over logging and plantations on their customary lands
7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.	<p>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 holds valid FSC Chain of Custody certificate which requires the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work. A workers' union has been developed within the company (the worker's union is with Jiangsu Jinrongtai New Material Technology Co., Ltd) to protect the rights of workers. During auditing, auditor sampled related procedure on workers' rights protection.</p> <p>Arauco, and Pulp Trading (Lenzing) provided their sourcing policy, code of conduct, sustainability report, human rights related policy, etc indicating their efforts in promoting sustainable sourcing and human rights.</p> <p>Note: both LD Celulose and Lenzing Paskov are under the Lenzing AG, and Pulp Trading is the sales company under Lenzing AG to sell the pulp on behalf of LD Celulose and Lenzing Paskov. The documents mentioned above from Lenzing are provided from Pulp Trading.</p> <p>International Paper also provided a letter to the company (but it's issued to Jiangsu Jinrongtai New Material Technology Co., Ltd) stating their commitment in compliance with all applicable laws, regulations and treaties, protecting human rights including the</p>

	<p>Declaration of Fundamental Principles and Rights at Work from ILO, as well as responsible sourcing.</p> <p>There is no disclosure on forest(s) level suppliers' information.</p> <p>Although all 4 suppliers are FSC certified, since all purchased pulp supplied to the company is non-certified, where there is not any guarantee the upstream suppliers are implementing this requirement.</p> <p>The grading for this indicator is Commitment in Progress.</p> <p>Note: FSC COC certification and FSC Controlled Wood source (including forest managers) require relevant companies to sign the policy for association is a declaration by the company that they are not involved in directly or indirectly with the activities that can violate workers' rights; for PEFC certificate, it also requires to recognize and respect the rights of the workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has requested the supplier to comply with CanopyStyle framework requirements and included it into contracts for future suppliers.</p> <p>Arauco, and Pulp Trading (Lenzing) provided their sourcing policy, code of conduct, sustainability report, human rights related policy, etc indicating their efforts in promoting sustainable sourcing and human rights.</p> <p>Note: both LD Celulose and Lenzing Paskov are under the Lenzing AG, and Pulp Trading is the sales company under Lenzing AG to sell the pulp on behalf of LD Celulose and Lenzing Paskov. The documents mentioned above from Lenzing are provided from Pulp Trading.</p>

	<p>International Paper also provided a letter to the company (but it's issued to Jiangsu Jinrongtai New Material Technology Co., Ltd) stating their commitment in compliance with all applicable laws, regulations and treaties, protecting human rights including the Declaration of Fundamental Principles and Rights at Work from ILO, as well as responsible sourcing.</p> <p>There is no disclosure on forest(s) level suppliers' information.</p> <p>Although all 4 suppliers are FSC certified, since all purchased pulp supplied to the company is non-certified, where there is not any guarantee the upstream suppliers are implementing this requirement. The grading for this indicator is Commitment in Progress.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<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>Recognition and respect for human rights is included in the Company's policy.</p> <p>This indicator is also a summary requirement of 7.2-7.5 and therefore is graded as Commitment in progress</p>
<p>Summary:</p> <p>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.</p> <p>The company holds valid FSC Chain of Custody certificate which requires the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work. A workers' union has been developed within the company (the worker's union is with Jiangsu Jinrongtai New Material Technology Co., Ltd) to protect the rights of workers. During auditing, auditor sampled related procedure on workers' rights protection.</p> <p>All 4 pulp suppliers provided related sourcing policy, code of conduct, sustainability report, human rights related policy, etc indicating their efforts in promoting sustainable sourcing and human rights. Although all 4 suppliers are FSC certified, since all purchased pulp supplied to the company</p>	

is non-certified, where there is not any guarantee the upstream suppliers are implementing this requirement.

8. Development of Innovative and Alternative Fiber

Indicators	Findings
8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <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: During this reporting period, the company only utilized wood pulp for lyocell staple fiber production. No other alternative fiber(s) were used such as agricultural residues and/or recycled fibers, e.g. recycled cotton. </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>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: During this reporting period, the company only utilized wood pulp for lyocell staple fiber production. No other alternative fiber(s) were used such as agricultural residues and/or recycled fibers, e.g. recycled cotton. </p>
<p>Summary: During this reporting period, the company only utilized wood pulp for lyocell staple fiber production. No other alternative fiber(s) were used such as agricultural residues and/or recycled fibers, e.g. recycled cotton. </p>	

9. Voluntary Advocacy for conservation solutions

Indicators	Findings
9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**	<p>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: During this audit, no solid evidence provided for this indicator. As the company is very new to the CanopyStyle Initiative, this is being graded as not applicable</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>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: During this audit, no solid evidence provided for this indicator. In addition, the company is not prompted during this audit period.</p>
9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<p>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: During this audit, no solid evidence provided for this indicator. As the company is very new to the CanopyStyle Initiative, this is being graded as not applicable</p>
9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Not applicable as this indicator is only applicable to MMCF producers who manager forests.</p>
<p>Summary: During this audit, no solid evidence provided for this indicator.</p>	

10. Responsible forest management

Indicators	Findings
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>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>During the audit, the auditor sampled and checked the procurement contracts and invoices/transportation documents from all 4 suppliers.</p> <p>By sampling checking the procurement data, it's found that all 4 branded pulp was purchased as non-certified.</p> <p>-</p> <p>In the sourcing policy, it is stated the company will source fibre with the preference for FSC certification.</p> <p>The company was not able to provide an action plan to increase the FSC intake, as the supplier cooperation has not yet been confirmed for future procurement.</p>
<p>Summary:</p> <p>During the audit, the auditor sampled and checked the procurement contracts and invoices/transportation documents from all 4 suppliers. By sampling checking the procurement data, it's found that all pulp was purchased as non-certified. The company was not able to provide an action plan to increase the FSC intake, as the supplier cooperation has not yet been confirmed for future procurement.</p>	

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

Indicators	Findings
11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met </p>

	<p> <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>According to the Fiber Procurement Policy, reducing greenhouse gas emissions is a requirement for suppliers.</p> <p>The company developed Supplier Greenhouse Gas Reduction Audit Guidebook to evaluate their suppliers' performance in reducing GHG.</p> <p>According to the This guidebook/procedure will:</p> <ol style="list-style-type: none"> 1. Screen and evaluate suppliers when choosing new suppliers. The company will also conduct GHG reduction evaluation to current suppliers on a yearly basis. 2. The company will also communicate the requirements and expectations on GHG reductions to suppliers, as well as would like to provide training when needed. 3. The company will also help develop emission reduction plan as well as provide technical support to the suppliers whenever needed. 4. The company will collect suppliers' GHG emission data and monitor the performance. 5. The company will evaluate suppliers' performance on GHG reduction on a yearly basis and will prioritize purchasing from those who performed well and require mitigation actions to those who did not perform well.
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input 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: The company has an <i>Operational Procedure for Assessing Whether Suppliers Source From Tropical Peatlands and/or Intact Forest Landscapes</i> which is included in the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual). According to the procedure:</p> <ul style="list-style-type: none"> - The company will collect sourcing data from all suppliers as well as from public domains (e.g. public reports, industry update,etc) - The company will conduct desk-top review on the data collected and will require additional info when potential risks are raised. - The company will conduct on-site investigation whenever needed (e.g. potential risks raised to key suppliers) to further verify if supplier is sourcing from tropical peatlands and/or IFLs. followed with Investigation report. <p>Since all pulp supplied to the company is non-certified, the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.</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: Based on the company's sourcing policy, it does not source material originating from intact forest landscapes or on drained tropical peatlands. The company has an <i>Operational Procedure for Assessing Whether Suppliers Source From Tropical Peatlands and/or Intact Forest Landscapes</i> which is included in the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual).</p>

	Since all pulp supplied to the company is non-certified, the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.
Summary: The company developed Supplier Greenhouse Gas Reduction Audit Guidebook to evaluate their suppliers' performance in reducing GHG. The company also has an <i>Operational Procedure for Assessing Whether Suppliers Source From Tropical Peatlands and/or Intact Forest Landscapes</i> which is included in the SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual). Since all pulp supplied to the company is non-certified, the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.	

12. Pollution Prevention	
Indicators	Findings
12.1 *This verification process <u>will not</u> verify at first hand the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. 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	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The CanopyStyle audit will not report on this indicator. Other tools such as the Hot Button report will address chemical management starting in 2020.
Summary: The CanopyStyle audit will not report on this indicator. Other tools such as the Hot Button report will address chemical management starting in 2020.	

** Indicates Critical Indicators

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

1. Evaluation of Site: Lyocell staple fiber mill, Jiangsu Huasaier New Material Technology Co.,Ltd

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Shen Weiguo, Representative of Canopy policy implementation
Auditor(s):	Zhou Peiying
People Interviewed, Titles:	<ul style="list-style-type: none"> - Mr. Shen Weiguo, Representative of Canopy policy implementation - Mr. Wang Youchun, Deputy General Manager, who is also overseeing the site production - Mr. Li Qiang, Manager, Purchasing Department - Ms. Lu Xiaoting, Administrator - Ms. Zhu Jingjing, Warehouse at the mill
Brief Overview of Audit Process for this Location:	Please refer to Section 3.3 above for Description of Overall Audit Process
Comments:	This mill is responsible for lyocell staple fiber production and storage of material and products.

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>The Company published Fibre Procurement Policy for Protecting Forests to promote sustainable forest management and conserve ancient and endangered forests (effective on 20 Apr,2025),, the policy is publicly available on its website: 保护森林采购政策</p>

	<p>The Company has organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review. Attendance sheets were presented and reviewed, indicating the key staff participated the training.</p> <p>The interview with the Deputy General Manager, who is also in charge of the site production confirms that he is aware of the policy and the company is implementing it.</p>
1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<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 SOP (Jiangsu Huasaier New Material Technology Co.,Ltd Forest Protection Procurement Policy Standard Operating Procedures Implementation Manual) was developed by the company to implement the policy related to conserve ancient and endangered forests and avoid controversial sources which is shared with the mill.</p>
<p>Summary:</p> <p>The sourcing policy is published on the company's website. The company has organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review. Attendance sheets were presented and reviewed, indicating the key staff participated the training.</p> <p>The company shared the SOP of implementing the policy with the mill.</p>	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.

Indicators	Findings
2.1 The production site/mill maintains all <u>purchase and sales</u> , documentation related to the wood fiber <u>inputs</u> .	<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 company's corporate office is responsible for material sourcing, and the mill is not involved in any fiber procurement activities.</p> <p>According to the company, the original copies of sales and transport documents related to wood fiber inputs are partially maintained at the purchasing department at the company, i.e. documents between the traders and the company are kept with the company, while documents from the pulp mill to the traders are kept with the traders, with the company only have the scanned copies. However, by sampling checking on the procurement data, some of the data between the trader and the company cannot be provided.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</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 company's corporate office is responsible for material sourcing, and the mill is not involved in any fiber procurement activities.</p> <p>According to the company, the original copies of sales and transport documents related to wood fiber inputs are partially maintained at the purchasing department at the company, i.e. documents between the traders and the company are kept with the company, while documents from the pulp mill to the traders are kept with the traders, with the company only have the scanned copies. However, by sampling checking on the procurement data, some of the data between the trader and the company cannot be provided.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

<p>supply chain assessment provided during the desktop audit.</p>	<div data-bbox="805 224 1252 380"> <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </div> <div data-bbox="805 414 1364 638"> <p>Description of the finding:</p> <p>According the company, 4 branded pulp is declared and there are:</p> <ul style="list-style-type: none"> - Arauco - International Paper - LD Cellulose - Lenzing Biocel Paskov </div> <div data-bbox="805 672 1364 851"> <p>During the on-site check, pulp from Arauco, International Paper, and LD Cellulose are found at the company's warehouse storage. According to the company, no storage for Biocel anymore. They have put in use of Biocel for the last batch in May 2025.</p> </div> <div data-bbox="805 884 1364 1344"> <p>However, additional pulps (4 other brands) are found at both the warehouse and by checking the company's ledger book for this reporting period. The company explained that those pulps are for testing. They are still in the initial communication and sample evaluation stage with these pulp mills. No substantive cooperation relationship has been established yet. No formal contract has been signed, and there is no stable supply and demand relationship. In addition, these suppliers require the company to keep the manufacturer information and brand confidential and not disclose the pulp producers' relevant information before signing the contract for formal cooperation.</p> </div>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<div data-bbox="805 1366 1252 1601"> <p>Conformance with Indicator:</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 </div> <div data-bbox="805 1635 1396 1993"> <p>Description of the finding:</p> <p>The auditor first asked for 5-6 sets of procurement documents from Arauco, International Paper, LD Cellulose and 2 sets from Lenzing Paskov. However, the company cannot provide complete trade and transport documents from the pulp mills to the company and according to the company, some of the chosen sample contracts are still in progress, so not able to provide sufficient documents. And then auditor asked for another 2 sets of purchasing data from each supplier for those</p> </div>

	<p>contracts are completed and finished. However, for some of the newly chosen sampled contracts, the company still couldn't provide sufficient documents linking pulp mills to the company.</p> <p>By sampling checking the procurement data, it's found that:</p> <ul style="list-style-type: none"> - Arauco, non-certified pulp supplied - International Paper, non-certified pulp supplied - Lenzing Biocel Paskov, non-certified pulp - LD Cellulose, from LD Cellulose to the traders, the pulp is traded as FSC Mix Credit certified, however, from the traders onwards, the pulp is no longer traded as certified. Therefore, also concluded as non-certified pulp.
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</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 mill has no sourcing activity of wood pulp. The corporate office's purchasing and finance department maintain the records of annual purchase and sales. During the on-site check, auditor sample cross checked the input and output records at the warehouse.</p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p>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>During the audit, 5 samples of trade and transport documents (3 sets from Jiangsu Jiangsu Jinrongtai New Material Technology Co., Ltd and 2 sets from Jiangsu Huasaier New Material Technology Co.,Ltd) for outgoing products were provided to the auditor. The lyocell staple fiber sold from the company is not certified.</p>
<p>Summary:</p> <p>The company's corporate office is responsible for material sourcing, and the mill is not involved in any fiber procurement activities.</p>	

During on-site check, additional pulps (4 other brands) are found at both the warehouse and by checking the company's ledger book for this reporting period.

The mill has no sourcing activity of wood pulp. The corporate office's purchasing and finance department maintain the records of annual purchase and sales. During the on-site check, auditor sample cross checked the input and output records at the warehouse.

Auditor sample checked on the procurement data, however, the company couldn't fully provided the required sampled documents.

3. No conversion of natural forest to plantations.

Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in plantations established before 1994**	<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 risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit. </p>
<p>Summary:</p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>	

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

Indicators	Findings
4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**	<p>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 of all relevant laws and regulations. Auditor reviewed the legally </p>

	<p>required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the organization is non-compliant with national and international laws.</p>
<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not receive wood from Priority Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and from controversial sources.</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 mill has no sourcing activity of wood pulp.</p> <p>The interview with the manager who is in charge of the plant production demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>Corporate office has conducted the risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.3 Production mills have conducted assessment of presence of Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources in their wood supply areas.</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 assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as <i>outlined in the Advice Note</i> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</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>

	The assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.
Summary: The assessment was conducted by the corporate office. The interview with the management proves they were aware all relevant laws and regulations. There is no news and info disclosed that the company is non-compliant with national and international laws. The interview with the manager who in charge of the plant production demonstrated their understandings on ancient and endangered forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the corporate office.	

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

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Canopy congratulates Jiangsu Huasaier for completing the first CanopyStyle audit. The audit report cannot confirm low risk, largely due to documentation gaps related to sourcing. However, the company has made considerable improvements to their systems to comply with CanopyStyle requirements and dedicated capacity for further implementation. In the spirit of continual improvement, Canopy recommends the following actions:

1. The company should develop a comprehensive Chain of Custody system, such as Forest Stewardship Council Chain of Custody (FSC CoC) system for all inputs so that they are accurately accounted for.
2. The company should conduct additional due diligence as part of its internal risk assessment, which includes efforts identify the forest of origin. If the company cannot identify the forest of origin, the company should know the region and species of tree being used for the pulp. This is particularly relevant to suppliers that have possible risk. This can help determine risk levels.
3. Develop a preference for purchasing inputs that are FSC certified. (FSC Mix or FSC 100%). Furthermore, all legitimate FSC input material should be identified as coming from an FSC certified source. All suppliers should be encouraged to source FSC raw materials.
4. Acquire evidence from suppliers regarding their conformance to policy requirements related to human rights.
5. Collaborate with Canopy to support the conservation of Ancient and Endangered forests, through participation in relevant events and activities.
6. Initiate an R&D program to explore the use of low impact Next Generation alternative fibres. In order to reduce pressure on forests
7. Adopt best in class processing technologies. Work with experts in the field to implement pollution control technologies to limit their impact. Implement the new ZDHC MMCF guidelines for chemical management, which give the suppliers unified criteria for measuring output indicators like wastewater, air emissions and other process- related parameters.

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will support Jiangsu Huasaier to continue to implement their policy and meet the expectations of the CanopyStyle Initiative. Once again, we congratulate you for the completion of the audit and for proactively taking steps to reduce risk in your supply chain. We look forward to working collaboratively with Jiangsu Huasaier to address any outstanding issues.