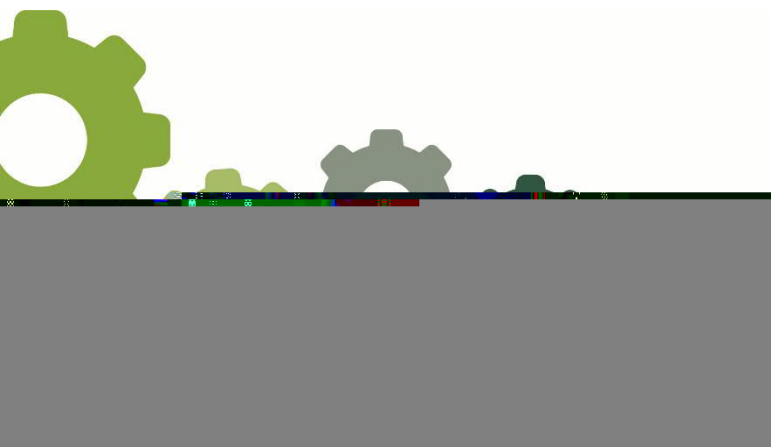


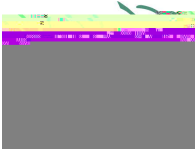


#### **Organisation Contact**

Tangshan Sanyou Xingda Chemical Fibre Co. Ltd.

No 5, Xiwang Rd, Nanbao Development Zone, Tangshang, China

Contact person: Zhou Shengwei, Email: [258596939@qq.com](mailto:258596939@qq.com)



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## INTRODUCTION

NEPCon is an international, non-profit organisation that delivers sustainability services and engages in innovation projects to facilitate the transformation of business practices and consumer behaviour to promote the responsible use of natural resources. Around 1,300 Chain of Custody-certified clients benefit from our over 15 years of experience in providing services to the forest supply chain sectors – including timber processing and manufacturing companies, printing houses, publishers, paper merchants, traders and retailers of all sizes. Through a well-developed network of regional representatives and contractors, NEPCon offers timely and cost-effective certification services around the world.

The purpose of this report is to document performance of ***Tangshan Sanyou Xingda Chemical Fibre Co. Ltd.*** hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 2019 version<sup>1</sup>) and guidance documents<sup>2</sup> developed by Canopy and approved, supported and requested by the CanopyStyle Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>3</sup> and the over 200 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

The audit presents the findings of NEPCon auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy's map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company, as well as further guidance document such as a Dissolving Pulp mill Classification<sup>4</sup>, to assess the level of risk.

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

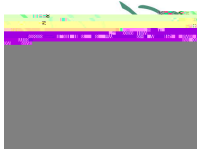
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<sup>1</sup> <https://canopyplanet.org/wp-content/uploads/2019/04/CanopyStyle-Audit-Guidelines-and-Framework-2019-version.pdf>

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

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

<sup>4</sup> <https://canopyplanet.org/resources/canopystyleaudit/canopystyle-audit-guidelines/>



# 1. GENERAL DESCRIPTION

## 1.1 Company overview

Tangshan Sanyou Xingda Chemical Fibre Co. Ltd is one of the worlds' five largest manufacturers of man-made cellulosic fibre by production capacity. It is a subsidiary of Tangshan Sanyou Group, which owns 13 subsidiary companies, such as Alkali Industry, Sanyou Chemical, Sanyou Chlor-alkali, Sanyou Silicon, etc, and its main products are soda ash, viscose staple fibre, and PVCs, etc.

The Company owns a sub-company - Tangshan Sanyou Yuanda Chemical Fibre Co. Ltd, two manufacturing mill sites - Xingda mill and Yuanda mill, both located in Tangshan. The total annual productivity is 800,000 tons, products include high whiteness fibre for non-woven, color fibre, modal fibre, fine denier fiber (1.2D\*38mm) and bamdal fibre, etc. The Company is FSC CoC certified (SGSHK-COC-330228), also certified against ISO 9001, ISO 14001, OHSAS and OEKO-TEX. The company has been participating in the CanopyStyle Initiative since 2015 and underwent first audit in December 2016.

### Two mills:

#### Xingda Mill

There are 1424 employees working in the factory. The facilities are equipped with totally automated process control systems, and consists of 6 lines with a total production capacity of 180,000 t/a HT fiber and NW fiber. The Company is also processing anhydrous sodium sulfate which is widely used in the detergent, glass, textile dyeing, and pulp and paper industries in the domestic as well as international market.

#### Yuanda Mill

There are 2996 employees working in the factory. The facilities are equipped with totally automated process control systems, and consists of 8 lines with a total production capacity of 620,000 t/a HT fiber and NW fiber. The Company is also processing anhydrous sodium sulfate which is widely used in the detergent, glass, textile dyeing, and pulp and paper industries in the domestic as well as international market.

## 1.2 Company scope (sites, locations, etc)

| Name/Description of sites                              | Location                                                                                   |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Tangshan Sanyou Xingda Chemical Fiber Corporate Office | Tangshan, Hebei province, China                                                            |
| Xingda Mill                                            | North of Dongrongda avenue, Chuangye Rd, Nanbao Development Zone, Tangshan, Hebei province |
| Yuanda Mill                                            | No 5, Xiwang Rd, Nanbao Development Zone, Tangshan, Hebei province                         |

## 1.3 Company sourcing policy

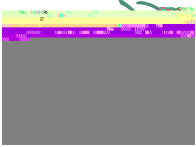
The Company published their *Fibre Procurement Policy for Protecting Forests*, effective 28<sup>th</sup> July 2015, and committed to

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

The policy is made publicly available on the company's website: <http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html>.

## 2. EVALUATION SCOPE

| Scope Item                                               | Check all that apply to the Certificate Scope                           |                                                                                                                                                                                                                   |
|----------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mill type:                                               | <input type="checkbox"/> Single                                         | <input checked="" type="checkbox"/> Multi-site                                                                                                                                                                    |
| Input Material Source:                                   | <input checked="" type="checkbox"/> Listed in Supplier COC form         | <input type="checkbox"/> Other suppliers                                                                                                                                                                          |
| Majority fiber input:                                    | Dissolving pulp                                                         |                                                                                                                                                                                                                   |
| Map of Ancient and Endangered Forests Overlay Completed: | <input type="checkbox"/> Yes<br>Comments:                               | <input checked="" type="checkbox"/> No<br>Comments:<br>Not fully completed because some suppliers did not provide detailed information of origin that allow to overlay the map of Ancient and Endangered forests. |
| Mill Capacity:                                           | 500,000 ton/year                                                        |                                                                                                                                                                                                                   |
| Primary activity:                                        | Viscose production                                                      |                                                                                                                                                                                                                   |
| Outsourcing:                                             | <input type="checkbox"/> FSC-certified Subcontractors                   | <input type="checkbox"/> Non-certified Subcontractors                                                                                                                                                             |
|                                                          | <input type="checkbox"/> Outsourcing of the complete production process |                                                                                                                                                                                                                   |
|                                                          | <input type="checkbox"/> High risk subcontractor site(s) included       |                                                                                                                                                                                                                   |
|                                                          | <input checked="" type="checkbox"/> No Outsourcing                      |                                                                                                                                                                                                                   |



|            |                      |                        |
|------------|----------------------|------------------------|
| Workforce: | Permanent male: 4034 | Permanent female: 1386 |
|            | Contract male: 0     | Contract female: 0     |
|            | TOTAL: 4420          |                        |

| Name/Description of sites                              | Location                                                                                   |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Tangshan Sanyou Xingda Chemical Fiber Corporate Office | Tangshan, Hebei province, China                                                            |
| Xingda viscose mill                                    | North of Dongrongda avenue, Chuangye Rd, Nanbao Development Zone, Tangshan, Hebei province |
| Yuanda viscose mill                                    | No 5, Xiwang Rd, Nanbao Development Zone, Tangshan, Hebei province                         |

### 3. EVALUATION PROCESS

#### 2.1 Audit Team

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

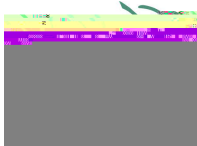
## 2.2 Audit Overview

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

## 2.3 Description of Overall Audit Process

### Desktop audit to the Corporate office:

On 21<sup>st</sup> August, the auditor conducted desktop audit by reviewing the documented evidences provided by Tangshan Sanyou HQ.



The closing meeting was held at the office at 11:00am of 13<sup>th</sup> December 2019 with the presence of the management. During the meeting the main findings were presented and explained to the Company.

## 4. EVALUATION RESULT

### 4.1 Evaluation Conclusion

#### Positive findings:

Tanshan Sanyou has developed a sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The standard operational procedure was developed by the HQ and implemented company wide.

The Company has made significant improvements in their systems to comply with the CanopyStyle audit, particularly in the areas of training, Leadership Group engagement, risk assessment, and commitments to increase the % of FSC certified materials.

In addition to these system improvements, Tangshan Sanyou succeeded in producing viscose staple fiber made from 50% post-consumer recycled cotton textiles. Also, in 2019, the company positively participates in an afforestation program in a desert area in China.

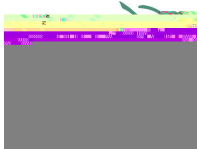
#### Areas for improvement:

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

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

| Supplier                                                            | Company Risk Assessment | Canopy Dissolving Pulp Classification*                                                                                           |
|---------------------------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Sodra Morrum                                                        | Low risk                | No sourcing issues identified based on current information and/or CanopyStyle audit.                                             |
| Sun Paper (Shandong Yanzhou mil, Shandong Zoucheng mill, Laos mill) | Low risk                | In a region that contains IFL and where deforestation is a threat (Laos). Further sourcing information and/or auditing required. |
| Caima                                                               | Low risk                | No sourcing issues identified based on current                                                                                   |

|                      |             |                                                                                                                                    |
|----------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------|
|                      |             | information and/or CanopyStyle audit.                                                                                              |
| AustroCel            | Low risk    | No sourcing issues identified based on current information and/or CanopyStyle audit.                                               |
| Sappi (South Africa) | Low risk    | No sourcing issues identified based on current information and/or CanopyStyle audit.                                               |
| Domsjo               | Low risk    | No sourcing issues identified based on current information and/or CanopyStyle audit.                                               |
| Pheonix              | Unconfirmed | In a region that contains IFL and where deforestation is a threat. Further sourcing information and/or auditing required.          |
| Enocell, Stora Enso  | Low risk    | In proximity to Ancient and Endangered Forest and IFLs. Based on current information and/or audit findings.                        |
| Juntai               | Low risk    | Further sourcing information and/or auditing required.                                                                             |
| Rayonier, Quebec     | Unconfirmed | Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required.                                 |
| AVC Atholville       | Low risk    | No sourcing issues identified based on current information and/or CanopyStyle audit.                                               |
| AVN Nackawic         | Unconfirmed | No sourcing issues identified based on current information and/or CanopyStyle audit.                                               |
| Cosmo                | Low risk    | In proximity to coastal temperate rainforests and Intact Forest Landscapes. Further sourcing information and/or auditing required. |
| Lenzing Biocel       | Low risk    | No sourcing issues identified based on current information and/or CanopyStyle audit.                                               |



|          |             |                                                        |
|----------|-------------|--------------------------------------------------------|
| Huatai   | Unconfirmed | Further sourcing information and/or auditing required. |
| Qingshan | Low risk    | Further sourcing information and/or auditing required. |

\*Note: In August 2020 Canopy published a revised Dissolving Pulp Classification Tool.

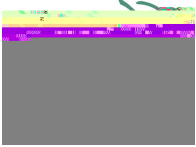
The Company has made great efforts to conduct a risk assessment on sourcing from ancient and endangered sources, but more assessment is needed for controversial sources. The Company sources from many forest management units that are plantations, and information has been requested on the establishment date of these plantations, but not much information has been received.

## 4.2 Summary of findings

| Rating                             | Color |
|------------------------------------|-------|
| Not Applicable                     |       |
| Commitment Met                     |       |
| Commitment in Progress             |       |
| Commitment Not Met                 |       |
| Insufficient Information Available |       |

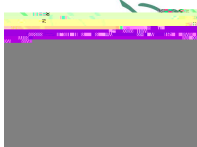
| Key Commitment                                                                                             | Performance Indicators                                                                                                                                                   | Rating                 |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| 1. The MMCF producer has publicly communicated and is implementing the Invest Group Sourcing/Forest Policy | 1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy **                                     | Commitment Met         |
|                                                                                                            | 1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders. ** | Commitment in Progress |
|                                                                                                            | 1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **                                                                           | Commitment Met         |
|                                                                                                            | 1.4 The MMCF producer has developed capacity and Companyal structure to implement the Policy.                                                                            | Commitment Met         |
|                                                                                                            | 1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **                                                                   | Commitment Met         |
|                                                                                                            | 1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **                                    | Commitment in Progress |

|                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                           |                        |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
|                                                                                                                                             | 1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **                                                                                                                                                                                                                                                     | Commitment in Progress |
|                                                                                                                                             | 1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders                                                                                                                                                                                                                                | Commitment in Progress |
|                                                                                                                                             | 1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **                                                                                                                                                                                                                           | Commitment Met         |
|                                                                                                                                             | 1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **                                                                                                                                                                                                                                                | Commitment Met         |
|                                                                                                                                             | 1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **                                                                                                                                                                                                                                                                   | Commitment Met         |
| 2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy        | 2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group. **                                                                                                                                                                           | Commitment in Progress |
|                                                                                                                                             | 2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.                                                                                                                                                                                                                                     | Commitment in Progress |
|                                                                                                                                             | 2.3 A risk assessment has been done with the information and shared with Leaders Group.                                                                                                                                                                                                                                                                                   | Commitment in Progress |
|                                                                                                                                             | 2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.                                                                                                                                                                                                  | Commitment Met         |
|                                                                                                                                             | 2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.                                                                                                                       | Commitment in Progress |
| 3. No conversion of natural forest to plantations                                                                                           | 3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **                                                                                                                                                                                    | Commitment Not Met     |
| 4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated | 4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", "high conservation value", "high carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. ** | Commitment Met         |
|                                                                                                                                             | 4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Leaders Group. **                                                                                                                   | Commitment in Progress |
|                                                                                                                                             | 4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **                                                                | Not Applicable         |
|                                                                                                                                             | 4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **                                                                                                                                                                                          | Commitment Met         |
|                                                                                                                                             | 4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **                                                                                                                                                                                                                                                      | Commitment in Progress |



|                                                                                                                                                         |                                                                                                                                                                                                                                                                                                         |                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| 5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them | 5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **                                                                                                                                                                                                                  | Commitment in Progress |
|                                                                                                                                                         | 5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. **<br>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.) | Commitment Met         |
|                                                                                                                                                         | 5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **                                                                                                                                                                                        | Commitment Met         |
| 6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.                                         | 6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **                                                                                                                                                     | Commitment Met         |
|                                                                                                                                                         | 6.2 Large scale scientifically based conservation                                                                                                                                                                                                                                                       |                        |

|                                                           |                                                                                                                                                                                                                                                                                                                                |                        |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
|                                                           | 7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.                                                                                 | Commitment in Progress |
|                                                           | 7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **                                                                                                                                   | Commitment Met         |
| 8. Development of Innovative and Alternative Invest Group | 8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative Invest Group sources that reduce environmental and social impacts, such as agricultural residues and recycled Invest Groups. ** | Commitment Met         |
|                                                           | 8.2 The research and development phase for the production of pulp and cellulosic Invest Group made from alternative Invest Group sources has been successfully completed and the MMCF producer is entering a commercial scale phase.                                                                                           | Commitment Met         |
| 9. Voluntary advocacy for conservation solutions          | 9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **                                                                                                                                    | Commitment in Progress |
|                                                           | 9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **                                                                              | Commitment in Progress |
|                                                           | 9.3 The MMCF producer publicly supports science-based international and national target(s) and                                                                                                                                                                                                                                 |                        |



|  |                                                                                                                                                                                                                                                               |  |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer. |  |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

### 4.3 Volume Summaries

Reporting period: from 29 December 2017 to 28 December 2018

| Category            | Explanation                                                                                                              | Volume              | % Overall      |
|---------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------|----------------|
| FSC Controlled Wood | Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)                         | <b>29,248 tons</b>  | <b>4.16%</b>   |
| Controlled material | Noncertified material controlled by the company's FSC Due Diligence System                                               | <b>0</b>            | <b>0</b>       |
| FSC Mix             | Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company                            | <b>27,020 tons</b>  | <b>3.84%</b>   |
| FSC 100%            | Material received with an FSC 100% claim from an FSC certified company (FM or COC).                                      | <b>0</b>            | <b>0</b>       |
| Non-FSC             | Material received with no FSC claim.                                                                                     | <b>563,698 tons</b> | <b>80.16%</b>  |
| PEFC                | Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting) | <b>83,478 tons</b>  | <b>11.84 %</b> |
| Total               |                                                                                                                          | <b>703,444 tons</b> |                |

In the whole year 2019, the company purchased 169,555tons certified pulp accounting for 24.95% of the pulp used, including 107,955 tons FSC Controlled wood, 10,000 tons FSC Mix 70% and 51,600 tons PEFC certified pulp.

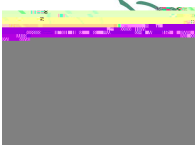
## Appendix A: STANDARD CHECKLIST (CanopyStyle Verification Framework – Corporate Sourcing)

### 1. Evaluation of Site: Tangshan Sanyou Xingda Chemical Fibre Co.Ltd Corporate sourcing

|                                                                                                                                                                                         |                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| <b>Primary Responsible Person:</b><br>(Responsible for control system at site(s))                                                                                                       | Zhou Shengwei, Purchase Manager  |
| <b>Auditor(s):</b>                                                                                                                                                                      | Gaojun Zhao                      |
| <b>People Interviewed, Titles:</b>                                                                                                                                                      | Zhou Shengwei, Purchase manager; |
| <b>Brief Overview of Audit Process for this Location:</b>                                                                                                                               | Desktop audit.                   |
| <b>Comments:</b> The company's material supply department is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the two mills. |                                  |

### 2. Standard Checklist

|                                                                                                              |                 |
|--------------------------------------------------------------------------------------------------------------|-----------------|
| <b>1. The MMCF producer has publicly communicated and is implementing their Fibre Sourcing/Forest Policy</b> |                 |
| <b>Indicators</b>                                                                                            | <b>Findings</b> |



1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. \* \*

standard of pulp supplier, evaluation standard of supplier, forest management standard and complaints control procedure.

However, no evidence showed the standard operating procedures (SOP) was not consulted with civil society stakeholders.

Conformance with Indicator:

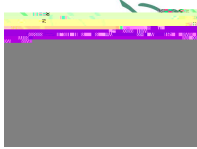
- ☐ Not Applicable
- ☒ Commitment Met
- ☐ Commitment In Progress
- ☐ Commitment Not Met
- ☐ Insufficient Information Available

Description of the finding:

The appointment letter for implementation of Canopy requirements are provided, page 8 of SOP.

The material supply department is assigned for the implementation of the poli521.92 7yatcl4.64thep1 g42.2S

|                                                                                                                                      | Company for the compliance of their commitment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.** | <p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable<br/> <input type="checkbox"/> Commitment Met<br/> <input checked="" type="checkbox"/> Commitment in Progress<br/> <input type="checkbox"/> Commitment Not Met<br/> <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b></p> <p>The requirement to implement the policy was included in the agreement/contract with the Chinese suppliers: Hunan Juntai New Material Technology Co., Ltd, and Shandong Taiyang. For overseas suppliers, the Company sources via the Sanyou Group's branch in Hong Kong, a trading company, therefore all purchase contracts for imported pulp were between Tangshan Sanyou (Hong Kong) Trading Co. Ltd and the Company, where the requirement to implement the policy was included.</p> <p>However, the contracts between its own trading company and overseas suppliers are not provided as well as other three Chinese suppliers: Chongqing Lee&amp;Man, Sichuan Tianzhu, and Anhui Huatai. <b>13<sup>th</sup> December 2019 updated:</b></p> <p>The requirement to implement the Canopy sourcing policy was newly added in the contract with Fujian Qingshan.</p> <p>The company has not purchased bamboo pulp from the bamboo pulp supplier Chongqing Lee&amp;Man and Sichuan Tianzhu for several years.</p> |
| 1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**                 | <p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable<br/> <input type="checkbox"/> Commitment Met<br/> <input checked="" type="checkbox"/> Commitment in Progress<br/> <input type="checkbox"/> Commitment Not Met<br/> <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b></p> <p>The company developed SOP which includes the evaluation of supplier evaluation standard.</p> <p>The Company updated the supplier evaluation procedure and submitted to auditors for review on Sep 5, 2017.</p> <p>In the procedure, the Company developed a point test system awarding suppliers who 1) have valid FSC certificates, 2) are known forest origin, 3) support the Company's commitment, 4) advocate the reducing GHG initiative, and 5) have developed conservation programmes. The supplier with the point between 8-10 is</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

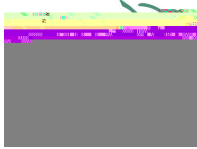


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|                                                                                                                                                | <p>categorized as A class, 6-7 as B class as below 6 as C class.</p> <p>However, the supplier evaluation records were not provided, at the time of this audit.</p> <p><b>13<sup>th</sup> December 2019 updated:</b><br/>The supplier evaluation for each supplier was conducted in January 2019 with the records kept.<br/>The supplier evaluation indicators include (point system):</p> <ul style="list-style-type: none"><li>- Commitment to Sanyou's sourcing policy (2 points);</li><li>- Provide the information of timber origin (2 points, bonus 2 points);</li><li>- Valid FSC or PEFC certificate (2 points, bonus 1 point);</li><li>- Measures to reduce GHG emissions (1 point);</li><li>- Forest protection activity or program (1 point);</li></ul> <p>Also, the solid evidences of supplier's forest protection program were not provided. For some of them, the evidences provided is for support responsible/sustainable forest management certification, forest regeneration or comply with international or local regulations rather than protection plan of ancient and endangered forests.</p> |
| 1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders.    | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable<br/><input type="checkbox"/> Commitment Met<br/><input checked="" type="checkbox"/> Commitment in Progress<br/><input type="checkbox"/> Commitment Not Met<br/><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b><br/>There is a public grievance procedure included in SOP.</p> <p>However, no evidence showed that the grievance procedure has taken the input and agreement of civil society stakeholders into account and has been made publicly available.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.** | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable<br/><input checked="" type="checkbox"/> Commitment Met<br/><input type="checkbox"/> Commitment in Progress<br/><input type="checkbox"/> Commitment Not Met<br/><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b><br/>No complaints have been received, declared by the company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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| 1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**                                                                                                                         | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</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><b>Description of the finding:</b><br/> <b>13<sup>th</sup> December 2019 updated:</b><br/> In 2019, the mill conducted several training sessions on the policy and Canopy requirements. Training records were provided for auditor review. Auditor interviewed key managers of the two viscose mills who are aware of Canopy pulp sourcing policy, definition of ancient and endangered forests and controversial sources and related procedures.</p> |
| 1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**                                                                                                                                              | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b><br/> The Company shared the standard operational procedure (Pulp sourcing manual) with the viscose mills, which ensures the wood sourcing policy is implemented.</p>                                                                                                                                                                                                                                               |
| <p><b>Summary:</b> The Company has developed a sustainable fibre sourcing policy with supporting procedures for implementation. However, these procedures (including grievance procedure) developed have not been consulted with stakeholders</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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

| Indicators                                                                                                                                                                                     | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| 2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group.** | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b><br/> The Company has assessed the supply chains to the sourcing policy and shared with Leaders Group this August.</p> |

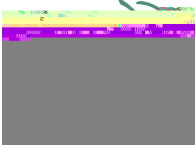


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|                                                                                                                                              | <p>The assessment is updated annually and shared with the Leaders Group. See finding 2.3 on the completeness of the assessment.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>2.2 The assessment identifies all suppliers in the chain beginning at the forest or plantation of origin, that supply the MMCF mills.</p> | <p><b>Conformance with Indicator:</b></p> <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><b>Description of the finding:</b></p> <p>The sourcing information form was provided. The company is sourcing from 9 tier one suppliers who source from a total of 20 dissolving pulp mills. The dissolving pulp mills on the supplier chain are identified. The country of origin and state/province in some cases are known. However, the suppliers of the dissolving pulp mills back to the forest or plantation were not always identified. In most cases, only the country of origin or state/province is known.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>2.3 A risk assessment has been done with the information and shared with Leaders Group.</p>                                               | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</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><b>Description of the finding:</b></p> <p>The risk assessment was conducted by the companies and shared with Canopy with permission to share with Leaders Group this August.</p> <p>However, two suppliers (Sichuan Tianzhu and Chongxin Lee &amp; Man) was not assessed and five suppliers (Phoenix Khon Kaen Mill, Jesup Mill &amp; Fernandina Mill, AVN Nackawic Mill, AVC Atholville Mill, Rayonier, Huatai mill) was not assessed completely with uncertain risk, due to lack of forest location.</p> <p>Additionally, the assessment did not fully take care of the risk of sourcing from controversial sources and only focused on ancient and endangered forests. Controversial sources not assessed are those linked to illegal activity, Violations of the rights of indigenous peoples, local communities and workers, Plantations established after 1994 through the conversion or simplification of natural forests, the use of genetically modified organisms (GMO), etc.</p> <p><b>13<sup>th</sup> December 2019 updated:</b></p> |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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|  | <p>The company has stopped purchase from the two bamboo pulp suppliers Tianzhu and Chongqing Lee&amp;Man for more than 3 years.</p> <p>Prior to the audit, 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. The results of this risk assessment have been compared to Sanyou's risk assessment in the evaluation result section of this report.</p> |
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2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.

**Conformance with Indicator:**



### 3. No conversion of natural forest to plantations

#### Indicators

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

#### Findings

##### Conformance with Indicator:

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

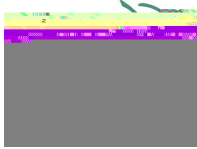
##### Description of the finding:

Based on the sourcing information form, two suppliers (Enocell and Cosmo specialty mill) declared the material was sourced from natural forest. There are no supporting documents provided to confirm the forest type is natural forest. For all other suppliers, the forest type and the establishment date of plantations are unknown.

19.84% purchased pulp in 2018 is FSC Mix, FSC controlled wood or PEFC certified.

Note: Some suppliers have been assessed for this

|                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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|                                                                                                                                                                                                                                                                                                                  | <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b><br/>The company collected forest origin map from some suppliers and shared with Leaders Group.</p> <p>However, two suppliers (Sichuan Tianzhu and Chongxin Lee&amp;Man) were not assessed at all and five suppliers (Phoenix Khon Kaen Mill, Rayonier Jesup Mill &amp; Fernandina Mill, AVN Nackawic Mill, AVC Atholville Mill, and Huatai mill) were not assessed completely with uncertain risk.</p> <p>Also, the risk of pulp from the supplier Sodra morrum is assessed as low. However, one sourcing area is Vologda in Russia that can potentially overlap with ancient and endangered forests. This sourcing area has been assessed via a separate CanopyStyle audit as low and is confirmed.</p> <p>The supplier Enocell mill is assessed as low risk. However, one of sources areas is Russia. No evidence showed the timber is not sourced from “ancient and endangered forests”.</p> <p>Further, no evidence showed the company has assessed the risk of sourcing from controversial sources.</p> <p><b>13<sup>th</sup> December 2019 updated:</b><br/>The company has stopped purchase from the two bamboo pulp suppliers Tianzhu and Chongqing Lee&amp;Man for more than 3 years.</p> <p>After the audit, but prior to the finalization of this report, Canopy published an advice note that releases an assessment of commonly used dissolving pulp manufacturers. This tool includes all remaining suppliers of Sanyou.</p> |
| <p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p> | <p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable<br/> <input type="checkbox"/> Commitment Met<br/> <input type="checkbox"/> Commitment in Progress<br/> <input type="checkbox"/> Commitment Not Met<br/> <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b><br/>The Company made the commitment and published a sustainable fibre sourcing policy effective on 28 July 2015.</p> <p>Two suppliers (Sichuan Tianzhu and Chongxin Lee&amp;Man) was not assessed and these suppliers (Phoenix Khon Kaen Mill, Jesup Mill &amp; Fernandina Mill, AVN Nackawic Mill, AVC Atholville Mill, Rayonier, Huatai mill) were not assessed</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

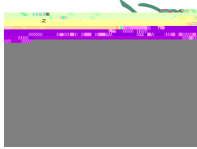


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|                                                                                                                                                                                  | <p>completely with uncertain risk (Other suppliers were assessed as low risk of material from A&amp;E forests).</p> <p>In addition, the risk of material from controversial sources are not assessed.</p> <p>Onsite audit to the mills will need to verify if the stocks are documented.</p> <p><b>13<sup>th</sup> December 2019 updated:</b></p> <p>No material on site visits have been identified originating from ancient and endangered forests or other controversial sources.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The company is FSC CoC certified. All applicable national, provincial international laws and regulations have been collected.</p> <p>No public source shows the company has non-compliance.</p> <p>This indicator will also be evaluated during impending on-site audit to the mills.</p>                                                                                                                                                                                                                                                                                                                                                                   |
| 4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **                                                             | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The commitment letter of not sourcing from ancient and endangered forests and other controversial sources was signed by the suppliers.</p> <p>The risk assessment of sourcing from ancient and endangered forests is based on the information collected from the suppliers.</p> <p>The company collected some evidences from the pulp mill, such as operation map, sustainability report, FSC report, self-declaration, etc.</p> <p>However, there is no sufficient evidences showing the information and self-declaration provided by the suppliers has been verified by the company and ensure the material purchased by these suppliers are not from</p> |

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|                                                                                                                                                                                                                         | <p>ancient and endangered forests and other controversial sources.</p> <p><b>13<sup>th</sup> December 2019 updated:</b></p> <p>The company has stopped purchase from the two bamboo pulp suppliers Tianzhu and Chongqing Lee&amp;Man for more than 3 years.</p> <p>See finding 4.2 above. Canopy has conducted a dissolving pulp classification tool that concludes that further sourcing information and/or auditing is required for some suppliers (reference the evaluation result section of this report).</p> |
| <p><b>Summary:</b> The MMCF producer has adopted clear definitions for the terms included in their Policy. However, risk assessments to date by the company and Canopy identify potential risks for some suppliers.</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**

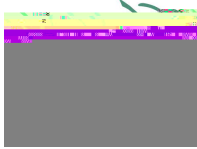
| Indicators                                                                                                                                                                                                                                                                                                       | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>                                                                                                                                                                                                                     | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</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><b>Description of the finding:</b></p> <p>All suppliers up to dissolving pulp mills are identified and the origin is known at county or state/province level.</p> <p>However, the forest management units are not always known.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The Company included the policy and CanopyStyle requirement in supplier control procedure.</p> <p>The requirement to implement the policy was included in the agreement/contract with the suppliers.</p> <p>The supply agreement defined the situation where the purchase will be stopped. If the non-conformance can not be addressed within 6-12</p> |



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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>months, the company will suspend or decrease the purchase.</p> <p>In December 2017, the company decided to stop purchasing from one supplier mill in Brazil when it's known that this mill was involving in illegal logging in Brazil.</p>                                                                                                                                                                                                                                                                    |
| 5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>After learning of risks related to controversial fibre, the Company stopped sourcing from their supplier in Brazil in Sep.2016.</p> |
| <p><b>Summary:</b></p> <p>All suppliers up to dissolving pulp mills are identified and the origin is known at county or state/province level.</p> <p>The Company included the policy and CanopyStyle requirement in supplier control procedure.</p> <p>The supply agreement defined the situation where the purchase will be decreased and stopped.</p> <p>The company has documented withdrawals from supply agreements where non-conformance has been found.</p> <p>However, the forest management units are unknown. For five suppliers, the origin information does not achieve a level of details that allow full risk assessment and determine the risk level.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| 6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| Indicators                                                                                                                                                                                                                                                                | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process.**                                                                                                                        | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>As the declaration, the company welcomes leader group and other stakeholders to participate freely and to report observations during this verification process.</p> <p>Sometimes, the company held conference calls with Canopy.</p> |
| 6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection has been completed, based on best available science, by a credible third party, and made public.** | <p><b>Conformance with Indicator:</b></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>                                                                                                                                                                                                                                                                                                                                                      |

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <input type="checkbox"/> Insufficient Information Available<br><br><b>Description of the finding:</b>                                                                                                                                                                                                                                          |
| 6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.** | <b>Conformance with Indicator:</b><br><input checked="" type="checkbox"/> Not Applicable<br><input type="checkbox"/> Commitment Met<br><input type="checkbox"/> Commitment in Progress<br><input type="checkbox"/> Commitment Not Met<br><input type="checkbox"/> Insufficient Information Available<br><br><b>Description of the finding:</b> |
| 6.4 The MMCF producer has developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**                                                                                                                       | <b>Conformance with Indicator:</b><br><input checked="" type="checkbox"/> Not Applicable<br><input type="checkbox"/> Commitment Met<br><input type="checkbox"/> Commitment in Progress<br><input type="checkbox"/> Commitment Not Met<br><input type="checkbox"/> Insufficient Information Available<br><br><b>Description of the finding:</b> |



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|                                                                                                                                                                                    | <p>The company has certified by FSC and OEKO-Step. It also requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.</p> <p>Most of suppliers signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>However, the commitment letters from these suppliers (Caima, Domsjo, AVC, Rayonier, Cosmo, Lenzing, Qingshan, Sichuan Tianzhu, Chongqing Lee&amp;Man) were not provided, at the time of this audit.</p> <p>All suppliers are FSC or PEFC certified. Both FSC and PEFC have some elements of FPIC within their standards, but not all. For example, FPIC would not be a required action within non-certified materials used to make a mixed product (namely “controlled wood”). Two suppliers are supply FSC controlled wood and FSC Mix pulp.</p> <p>Therefore, FSC or PEFC certification alone would not demonstrate full conformance.</p> <p><b>13<sup>th</sup> December 2019 updated:</b></p> <p>The requirement to implement the Canopy sourcing policy was newly added in the contract with Fujian Qingshan on 2<sup>nd</sup> October 2019.</p> <p>The Commitment letter from Rayonier, AustroCel Phoenix, Sappi, Sodra, Stora Enso, Juntai, Sun paper, Huatai, were provided.</p> <p>International Paper (brand: Port Wentworth) provided responsible sourcing policy.</p> <p>Caima provide a statement regarding FSC certification including species and origin.</p> <p>Domsjo supplies only FSC Controlled wood pulp.</p> <p>The two bamboo pulp suppliers Sichuan Tianzhu &amp; Chongqing Lee&amp;Man was stopped the purchase.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>This requirement is included in the contracts with suppliers.</p> <p>All suppliers are FSC &amp; PEFC certified. The certificate code or FSC reports (in some cases) were collected. Some suppliers provided the Sustainability reports. The material with FSC &amp; PEFC claim can be considered being in compliance with the company's commitment. But a majority of pulp is not certified.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

|                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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|                                                                                                                                                                                                                                | <p>However, for non-certified material, no evidences showed how the suppliers confirm with the MMCF's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.</p> <p><b>13<sup>th</sup> December 2019 updated:</b><br/>All direct suppliers (including traders) signed the social accountability commitment letter to respect human rights, including Shandong Sun paper, Hunan Juntai, Sanyou HK, Anhui Huatai. However, the evidence from oversea pulp mills are not provided.</p>                                                                                                                                                                                                                                                                     |
| 7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders. | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable<br/> <input type="checkbox"/> Commitment Met<br/> <input checked="" type="checkbox"/> Commitment in Progress<br/> <input type="checkbox"/> Commitment Not Met<br/> <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b><br/>The company has a grievance mechanism to accept and handle complaints.<br/>All suppliers are FSC or PEFC certified companies which could guarantee the conformance to this indicator, as certified companies are required to have such a mechanism for their certified scope.<br/><br/>However, these requirements are for their FSC certified scope and products only. The Company is sourcing 19.84% of materials with certified claims.</p> |
| 7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers                                                                              | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable<br/> <input checked="" type="checkbox"/> Commitment Met<br/> <input type="checkbox"/> Commitment in Progress<br/> <input type="checkbox"/> Commitment Not Met<br/> <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b><br/>This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union and OH&amp;S team.<br/>All suppliers are FSC or PEFC certified companies, which could provide a high level of confidence that the workers' rights are recognized and respected, as certified Companies are required to do this.</p>                                                                 |
| 7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and                                                        | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable<br/> <input type="checkbox"/> Commitment Met</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |



development of new alternative fibre sources that reduce environmental and social impacts, such as agricultural residues and recycled fibres.\*\*

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

**Description of the finding:**

June 27th 2019, Tangshan Sanyou succeeded in producing viscose staple fiber made from 50% post-consumer recycled cotton textiles, supplied by Swedish company Re:newcell. The remaining 50% is made of FSC COC (Forest Stewardship Council chain of custody) wood pulp and audited by CanopyStyle.

<https://canopyplanet.org/breakthrough-of-unprecedented-innovation-in-the-viscose-sector/>

**13<sup>th</sup> December 2019 updated:**

Staff interviewed: Mr. Liu Hui, Research department. Mr. Li Baikuan, purchase staff.

The company provided the report of pilot production with input of 50% recycled cotton textile and 50% dissolving pulp, date: 10<sup>th</sup> June 2019. In 2019, a total of 47.47 tons was produced.



In 2019, the company purchased 44tons pulp made of 100% recycled cotton textile and 150 tons pulp with 3% recycled cotton textile.

8.2 The research and development phase for the production of pulp and cellulosic fibre made from alternative fibre sources has been successfully completed and the MMCF producer is entering a commercial scale phase.

**Conformance with Indicator:**

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

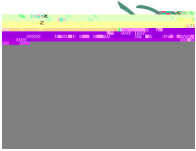
**Description of the finding:**

Same as above

**Summary:** In June 2019, Tangshan Sanyou succeeded in producing viscose staple fiber made from 50% post-consumer recycled cotton textiles, supplied by Swedish company Re:newcell.

## 9. Advocacy for conservation solutions

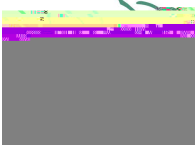
| Indicators                                                                                                                             | Findings                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system | <b>Conformance with Indicator:</b><br><input type="checkbox"/> Not Applicable |



|                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| solutions that aim to protect remaining ancient and endangered forests. **                                                                                                                                                                                                                                 | <div><input type="checkbox"/> Commitment Met</div> <div><input checked="" type="checkbox"/> Commitment in Progress</div> <div><input type="checkbox"/> Commitment Not Met</div> <div><input type="checkbox"/> Insufficient Information Available</div> <div><b>Description of the finding:</b><br/>The Company joined and supported the Canopy initiative and committed to protect the ancient and endangered forests. The Company has participated the events held by Canopy.<br/>In 2019, the company planted 5000 trees in desert in Inner Mongolia in collaboration with an Company One Billion Forest.<br/></div> <div>However, this is not an act that aims to protect remaining ancient &amp; endangered forests.</div> |
| 9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities. **                                                              | <div><b>Conformance with Indicator:</b></div> <div><input type="checkbox"/> Not Applicable</div> <div><input type="checkbox"/> Commitment Met</div> <div><input checked="" type="checkbox"/> Commitment in Progress</div> <div><input type="checkbox"/> Commitment Not Met</div> <div><input type="checkbox"/> Insufficient Information Available</div> <div><b>Description of the finding:</b><br/>The Company requested all suppliers make commitments on FPIC of indigenous people and local communities.<br/>The company held promotion events in collaboration with chemical fibre industry associations to promote the greening of desert and FSC purchase practice.</div>                                                                                                                                  |
| 9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities. | <div><b>Conformance with Indicator:</b></div> <div><input type="checkbox"/> Not Applicable</div> <div><input type="checkbox"/> Commitment Met</div> <div><input type="checkbox"/> Commitment in Progress</div> <div><input checked="" type="checkbox"/> Commitment Not Met</div> <div><input type="checkbox"/> Insufficient Information Available</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p><b>Description of the finding:</b></p> <p>In 2019, the company planted 5000 trees in desert in Inner Mongolia in collaboration with a Company One Billion Forest.</p> <p>However, the Company has not provided support for conservation solutions or programme for preserving designated protected and conservation areas</p>                                                                                                                                                        |
| 9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**                                                                                                                                                                                                                                                                                                       | <p><b>Conformance with Indicator:</b></p> <p><input 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><b>Description of the finding:</b></p> <p>The Company has not developed or implemented a programme on habitat and endangered species protection.</p> |
| <p><b>Summary:</b> The Company joined and supported the Canopy initiative and committed to protect the ancient and endangered forests. The Company has participated the events held by Canopy. In 2019, the company positively participates in forestation in desert. However, the Company didn't join or initiate any conservation programmes of Ancient and endangered forests, designated protected and conservation areas, increasing the endangered species population and the maintenance of their habitat.</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 an action plan to increase FSC intake.** | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>In the FSC certified pulp purchase plan, it is stated the Company source fibre with the preference for FSC and PEFC certification. Whether the FSC pulp purchase is increasing or not needs further evaluation during onsite audits.</p> <p>In 2018, 19.84% purchased pulp is FSC Mix, FSC Controlled Wood or PEFC certified.</p> <p><b>13<sup>th</sup> December 2019 updated:</b></p> <p>In 2018, 19.84% pulp purchased was FSC Mix, FSC Controlled Wood or PEFC certified.</p> <p>In 2019, 24.95% pulp purchased was FSC Mix, FSC Controlled Wood or PEFC certified. The company purchased 169,555tons certified pulp, including 107,955 tons FSC Controlled wood,</p> |

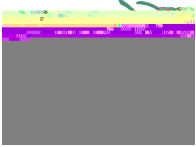


|                                                                                                                                                    |                                                              |
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|                                                                                                                                                    | 10,000 tons FSC Mix 70% and 51,600 tons PEFC certified pulp. |
| <b>Summary:</b> In the FSC certified pulp purchase plan, it is stated the Company source fibre with the preference for FSC and PEFC certification. |                                                              |

## 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 developed and implemented procedures to evaluate their suppliers' performance in reducing GHG. | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The Company's supplier evaluation procedure includes the indicator to evaluate supplier's performance in reducing GHG.</p> <p>However, no supporting evidence was provided for the implementation of the procedure. It needs further verification during onsite visits.</p> <p><b>13<sup>th</sup> December 2019 updated:</b></p> <p>The performance of the pulp mill was evaluated annually, including the GHG emission.</p> <p>The supporting evidences from each pulp mill were provided.</p> <p>The following are some examples of evidence provided by the supplier:</p> <p>Evidence from AustroCel:</p> <p>The wood from AustroCel Hallein comes from sustainably managed countries in the EU. When...</p> <p>Evidence from AV Group</p> |

|                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                |
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|                                                                                                                                                                                                                                      |  <p>Evidence from Lenzing:</p>  <p>Evidence from Sustainability report of Caima:</p>  |
| <p>11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forests, forested peatland at the concession and landscape level (peat dome) and identify,</p> | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p>                                                                                                                                      |



withdraw from and restore peatlands and their hydrology. \*\*

- ☐ Commitment Not Met  
☐ Insufficient Information Available

**Description of the finding:**

Manager interviews and supplier control procedure confirmed the Company will give preference for FSC certified suppliers, and suppliers that have management measures to protect forest and peatlands.

In section 6.6 of supplier evaluation procedure, it's defined that the company will purchase material from suppliers involving in forest protection program, but the implementation of the procedure needs supporting evidences and further verification.

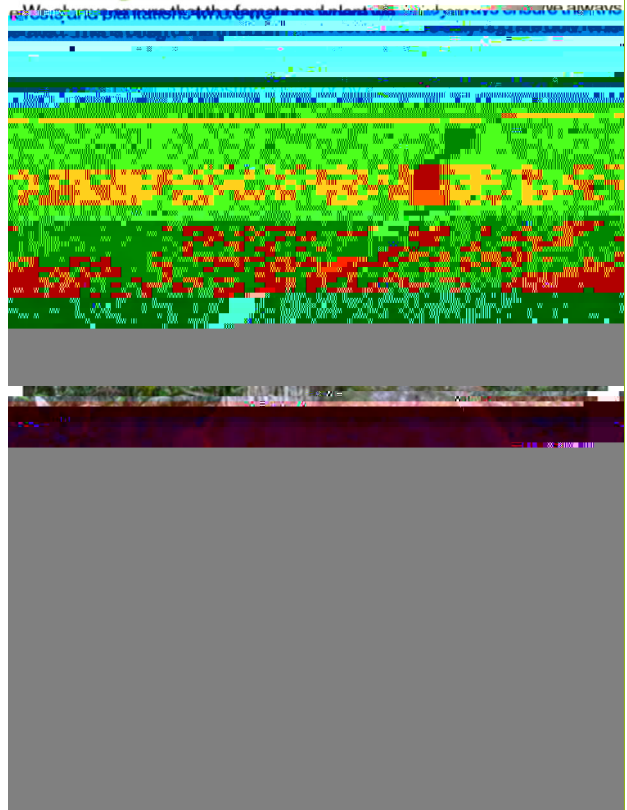
**13<sup>th</sup> December 2019 updated:**

The supplier evaluation has taken into consideration the availability of the forest protection program implemented by the suppliers. However, the solid evidences of Ancient and endangered forest protection program were not provided by the suppliers. For some of them, the evidences provided is for support repsonsible/sustainabe forest management certification, forest regeneration or comply with international or local regulations rather than protection plan of antient and endangered forests.

For example, Enrocell provided the 2018 anual Sutainability report mentionning forest certification coverage for owned and managed lands was 96% and the forests and plantations where harvested are duly regenerated.



## Forest regeneration



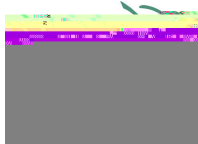
International paper provided sustainable forest policy as follows:

address illegal logging and prohibit trafficking of illegally harvested products – while protecting the competitiveness of legally harvested trees. .





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|                                                                                                                                                  | <p>Staff interviewed: Ms. Yang Yufang, Environment protection department.</p> <p>The company has invested 800 million CNY in emission treatment including waste gas, waste water and solid waste.</p> <p>Since 2007, the company invested 300 million to recycle NaHS and CS<sub>2</sub>.</p> <p>According the energy audit report 2017 for Xingda mill, the energy consumption is lower 11.12 kgce/t than 2016 and the water consumption lower 2.2% than 2016.</p> <p>For Yuanda mill, the energy consumption is lower 27.9 kgce/t than 2016 and the water consumption lower 6.12% than 2016.</p> |
| <p><b>Summary:</b> The company has been using Lyocell technology. In addition, the company has invested substantially in emission treatment.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



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

### 1. Evaluation of Participating site: Yuanda

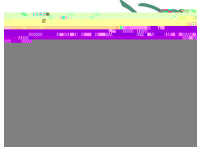
|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <b>Primary Responsible Person:</b><br>(Responsible for control system at site(s)) | Mr. Zhang DongBin                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Auditor(s):</b>                                                                | Gaojun Zhao                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>People Interviewed, Titles:</b>                                                | <ul style="list-style-type: none"> <li>- Mr. Dong Zhanshuang, production manager</li> <li>- Wang Chong, Production system control</li> <li>- Cao Jian'ai, Warehouse</li> <li>- Wang Xu, Warehouse</li> <li>- Li Baikuan, purchase</li> <li>- Zhou Shengwei, Purchase</li> <li>- Yan Jianhua, technology</li> <li>- Liu Hui, Research &amp; design</li> <li>- Yang Yufang, EHS manager</li> <li>- Zhang Jing, HR</li> <li>- Dong Hongshun, Labor union</li> </ul> |
| <b>Brief Overview of Audit Process for this Location:</b>                         | <i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Comments:</b>                                                                  | This mill is responsible for viscose filament rayon production and material and products storage without involvement in pulp sourcing.                                                                                                                                                                                                                                                                                                                           |

### 2. Standard Checklist

| 1. The MMCF producer has publicly communicated and is implementing their Fibre Sourcing/Forest Policy                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indicators                                                                                                                     | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.** | <p><b>Conformance with Indicator:</b></p> <p> <input type="checkbox"/> Not Applicable<br/> <input checked="" type="checkbox"/> Commitment Met<br/> <input type="checkbox"/> Commitment in Progress<br/> <input type="checkbox"/> Commitment Not Met<br/> <input type="checkbox"/> Insufficient Information Available         </p> <p><b>Description of the finding:</b></p> <p>The canopy pulp sourcing policy was developed since July 2015 and posted on the website <a href="http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html">http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html</a></p> |

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|                                                                                                                                                                                                                                                           | <p>In 2019, the mill conducted several training sessions on the policy and Canopy requirements. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill, Dong Zhanshuang, Wang Chong &amp; Cao Jian'an, who are aware of Canopy pulp sourcing policy, definition of ancient and endangered forests and controversial sources and related procedures.</p>                                                                                                                                                                                                                                   |
| 1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**                                                                                                                                           | <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</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><b>Description of the finding:</b></p> <p>The Company shared the standard operational procedure (Pulp sourcing manual) with the viscose mill that ensures the wood sourcing policy is implemented.</p> <p>The material from different suppliers can be clearly identified with identification card.</p> |
| <p><b>Summary:</b> Wood pulp procedure has been established and public on the website of the Company. Trainings were on related procedures and Wood Sourcing Policy has been held. The managers are aware of the pulp sourcing policy and procedures.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| 2. Sourcing from transparent supply chains that are in conformance with the policy.                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indicators                                                                                                                                                                                          | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fibre <u>inputs</u> . Such documentation includes an identification of the forest of origin. | <p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</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><b>Description of the finding:</b></p> <p>This mill has no sourcing activity of wood pulp and therefore does not maintain purchase and sales documentation related to the inputs.</p> |
| 2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fibre <u>inputs</u> . Such documentation includes an identification of the forest of origin.        | <p><b>Conformance with Indicator:</b></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>                                                                                                                                                                                          |



|                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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|                                                                                                                                                                                    | <p><b>Description of the finding:</b></p> <p>This mill has no sourcing activity of wood pulp.</p> <p>The sourcing office maintains the delivery documents of wood pulp, including commercial invoice, packing list, bill of lading, certificate of origin, etc, according to the sourcing office.</p> <p>The warehouse maintains the bill of lading for each batch of delivery.</p> <p>However, the forest of origin is not identified on these documentations.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation. | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>This mill has no sourcing activity of wood pulp.</p> <p>The certification code and claim are included on the commercial invoice and packing list from the pulp mill: Sodra, Sappi, DOMSJO.</p> <p>Following invoices sampled:</p> <p>Commercial invoice from Sappi, no.92428570, FSC Mix 70%, SGSCH-COC-003171;</p> <p>Commercial invoice from Ekman (trader of Domsjo pulp), no.46140202, FSC Controlled Wood, DNV-CW-000499;</p> <p>Commercial invoice from Ekman (trader of Sodra pulp), no.46132746, FSC Controlled Wood, DNV-CW-000499.</p> |
| 2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.                                                                               | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp.</p> <p>The corporate office maintains the records of annual purchase and sales.</p> <p>The mill maintains the records of pulp receipt and viscose fiber delivery. The warehouse presented</p>                                                                                                                                                                                                                                                                                                    |

|                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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|                                                                                                                                                                                                                                                                                                                                                                      | the daily and monthly summary of the pulp by brand/pulp mill and product delivery.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant                                                                                                                                                                                                                | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The delivery notes from the company showed FSC certificate code and claim of the viscose fiber, such as VAT invoice (No.01334145) and delivery note dated on 5<sup>th</sup> Nov.2019.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p> |
| <p><b>Summary:</b> This viscose mill does not involve in purchasing. The delivery documentations are maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified wood fiber. However, neither the delivery documentation from the suppliers nor that from the company doesn't include the forest of origin.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

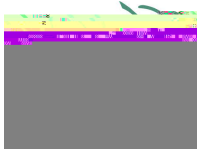
#### 4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.

##### Indicators

##### Findings

4.4 The production site/mill is aware of all relevant local, national and international laws and there is

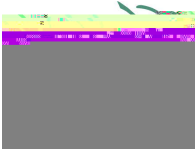
Conformance with Indicator:



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.                                                                                                                                                                                                                                                                                                                                                              | <div><input type="checkbox"/> Commitment Met</div> <div><input checked="" type="checkbox"/> Commitment in Progress</div> <div><input type="checkbox"/> Commitment Not Met</div> <div><input type="checkbox"/> Insufficient Information Available</div> <div>Description of the finding:<br/>The mill has no sourcing activity of wood pulp.<br/><br/>By interviews, the management of the mill (Dong Zhanshuang, Wang Chong &amp; Cao Jian'an) demonstrated their understandings on ancient and endangered forests and controversial sources.<br/><br/>Compliance with the commitment has not yet been confirmed.</div>                                                                                                   |
| 4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.                                                                                                                                                                                                                                                                                                            | <div>Conformance with Indicator:</div> <div><input checked="" type="checkbox"/> Not Applicable</div> <div><input type="checkbox"/> Commitment Met</div> <div><input type="checkbox"/> Commitment in Progress</div> <div><input type="checkbox"/> Commitment Not Met</div> <div><input type="checkbox"/> Insufficient Information Available</div> <div>Description of the finding:<br/>The risk assessment was conducted by sourcing office at headquarters.</div>                                                                                                                                                                                                                                                         |
| 4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.                                                                                                                                                                                                                                                                                                        | <div>Conformance with Indicator:</div> <div><input type="checkbox"/> Not Applicable</div> <div><input type="checkbox"/> Commitment Met</div> <div><input checked="" type="checkbox"/> Commitment in Progress</div> <div><input type="checkbox"/> Commitment Not Met</div> <div><input type="checkbox"/> Insufficient Information Available</div> <div>Description of the finding:<br/>Risk assessment and supplier assessment were conducted by the group headquarters.<br/><br/>The pulp brand and quantity information used at the mill is checked the same as that provided in desktop audit and HQ.<br/><br/>Detailed findings please refer to section 2 of the checklist for Corporate Sourcing (headquarters)</div> |
| <b>Summary:</b> The interviews with the management links they were aware all relevant laws and regulations. There is no news and info disclosed that the organize is non-compliance with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier risk assessment and material sourcing risk were evaluated by the sourcing office at headquarters. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

## 5. Actions if suppliers contravene criteria

| Indicators                                                                                                                                                                                                                                                               | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p> | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>Supplier performance monitoring program was conducted by sourcing office at headquarters.</p> |
| <p><b>Summary:</b> Supplier performance monitoring program was conducted by the headquarter.</p>                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |



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

### 1. Evaluation of Participating site: Xingda

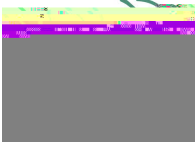
|                                                                                      |                   |
|--------------------------------------------------------------------------------------|-------------------|
| <b>Primary Responsible Person:</b><br>(Responsible for control system<br>at site(s)) | Mr. Zhang DongBin |
|--------------------------------------------------------------------------------------|-------------------|

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<http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html>

In 2019, the mill conducted several training sessions on the policy and Canopy requirements. Training records were provided for auditor review.

Auditor interviewed key managers of this mill (Dong Zhanshuang, Sun Xiping, Zheng Pingping) who are aware of Canopy pulp sourcing policy, definition of ancient and endangered forests and controversial sources and related procedures.



|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <div><div><div><input checked="" type="checkbox"/> Commitment in Progress</div><div><input type="checkbox"/> Commitment Not Met</div><div><input type="checkbox"/> Insufficient Information Available</div></div><div><div>Description of the finding:</div><div>This mill has no sourcing activity of wood pulp.</div><div>The sourcing office maintains the delivery documents of wood pulp, including commercial invoice, packing list, bill of lading, certificate of origin, etc, according to the sourcing office.</div><div>The warehouse maintains the bill of lading for each batch of delivery.</div><div>However, the forest of origin is not identified on these documentations.</div></div></div> |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.

Conformance with Indicator:

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

Description of the finding:

This mill has no sourcing activity of wood pulp.

The certification code and claim are included on the commercial invoice and packing list from the pulp mill: Sodra, Sappi, DOMSJO.

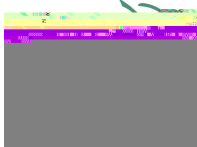
Insufficieinformation Available

scription of the finding:

|                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                       | <p>The corporate office maintains the records of annual purchase and sales.</p> <p>The mill maintains the records of pulp receipt and viscose fiber delivery. The warehouse presented the daily and monthly summary of the pulp by brand/pulp mill and product delivery.</p>                                                                                                                                                                                                                                                                                                                                                                               |
| 2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant                                                                                                                                                                                                                 | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The delivery notes from the company showed FSC certificate code and claim of the viscose fiber, such as VAT invoice (No.01334145) and delivery note dated on 5<sup>th</sup> Nov.2019.</p> <p>However, the delivery note does not include the forest/plantation of origin.</p> |
| <p><b>Summary:</b> This viscose mill does not involve in purchasing. The delivery documentations are maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified wood fiber. However, neither the delivery documentation from the suppliers nor that from the company does not include the forest of origin.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

#### 4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.

| Indicators                                                                                                                                                                              | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. ** | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations.</p> <p>Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention facility approval, etc.</p> <p>There is no news and info disclosed that the organize is non-compliance with national and international laws. The Company is certified against the ISO9001:2000 standard quality system, ISO14001:2004 Environment</p> |

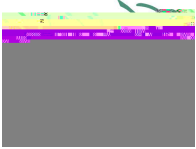


|                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                           | Management System and OHSAS18001:2007 (number: 15812S7059R3L).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources. | <p>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>By interviews, the management of the mill (Dong Zhanshuang, Wang Chong &amp; Cao Jian'an) demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>Compliance with the commitment has not yet been confirmed.</p> |
| 4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.                                                                                  | <p>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 sourcing office at headquarters.</p>                                                                                                                                                                                                                                                  |
| 4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.                                                                              | <p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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>Risk assessment and supplier assessment were conducted by the group headquarter.</p> <p>The pulp brand and quantity information used at the mill is checked the same as that provided in desktop audit and HQ.</p> <p>Detailed findings please refer to section 2 of the</p>                                          |

**Summary:** The interviews with the management links they were aware all relevant laws and regulations. There is no news and info disclosed that the organize is non-compliance with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier risk assessment and material sourcing risk were evaluated by the sourcing office at headquarters.

#### 5. Actions if suppliers contravene criteria

| Indicators                                                                                                                                                                                                                                                        | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified. | <p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>Supplier performance monitoring program was conducted by sourcing office at headquarters.</p> |
| <b>Summary:</b> Supplier performance monitoring program was conducted by the headquarter.                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |



## Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

### Recommendations for Tangshan Sanyou's continuous improvement

August 2020

2020 8

Canopy applauds Tangshan Sanyou for completing its 2nd verification audit, for demonstrating deep engagement with suppliers to identify fibre sourcing and mitigate any potential risks in the supply chain. The company is also showing clear leadership in piloting new recycled pulp and scaling these new products to commercial scale. These are important measures to ensure compliance with your Dissolving Wood Pulp Sourcing Policy.

Canopy

The CanopyStyle audit is a learning opportunity, and in the spirit of continuous improvement, additional actions can be taken over time to fully implement Tangshan Sanyou's policy commitments. Based on the review of the 2nd audit report, Canopy recommends the following next steps:

CanopyStyle

Canopy

1. Adoption of ambitious public targets and timelines for increasing the use of next generation alternative fibres in a commercially competitive way;

2. Continue to use Forest Mapper and complementary guidance documents such as the advice note of Ancient and Endangered Forests and the Dissolving pulp Classification to complete and share a risk assessment for all fiber supply inputs.

ForestMapper

3. For suppliers with potential risk of sourcing from key priority areas of Ancient and Endangered forests, continue to engage dissolving pulp suppliers, with Canopy's support, to gain clarity on risk level and/or risk mitigation measures and work towards elimination of all risk;

/

Canopy

4. Develop and implement a procedure with suppliers to identify the initial date of the plantation and avoid plantation post 1994 non FSC 100% certified.

FSC100%

1994

5. Increase the amount of FSC fibre used, with a preference for fibre from FSC certified forests (FSC 100%);

FSC

✓FSC✓

(FSC 100%)

✓

✓

6. Build on the company's engagement in the Initiative to include advocacy actions for the conservation of key priority forest regions;

CanopyStyle

✓

✓

✓

7. Adoption of best in class processing technologies. Work with experts in the field to