

CanopyStyle Audit Report

for Jilin Chemical Fiber Stock Co., Ltd.

Assessment 2019

Evaluation date: 24th December 2019

Follow up date: 8th May 2020

Report finalization date: 18th June 2020

Organisation Contact

Jilin Chemical Fiber Stock Co., Ltd.

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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 *Jilin Chemical Fiber Stock Co., Ltd.* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (February 2019 version¹) and further guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 200 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

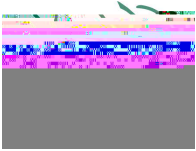
The audit presents the findings of NEPCon auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy's map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk.

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

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

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

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



1. GENERAL DESCRIPTION

1.1 Company overview

Jilin Chemical Fiber Stock Co. Ltd was established in 1960 and began production in August 1964. Currently the number of employees amounts to 4,549. Jilin Chemical Fiber Stock Co., Ltd is a major subsidiary of Jilin Chemical Fiber group with one viscose mill.

It is under the progress of obtaining a number of third-party certificates, including the ISO9001:2008 quality management system, ISO14001:2004 Environment Management System, OHSA18001 Occupational Health and Safety management system. It also holds FSC Chain of Custody, Recycled Claimed Standard, SA8000 and STANDARD 100 by OEKO-TEX® testing and certification system.

1.2 Company scope (sites, locations, etc)

Jilin Chemical Fiber Stock Co., Ltd purchases raw material, manufactures and sales of MMCF.

The headquarters is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mil.

Hebei Jigao Chemical Fiber Co. is a subsidiary of Jilin Chemical Fiber group. Located in Hebei province, it produces bamboo viscose fibre. It is not covered under the scope of this audit.

1.3 Company sourcing policy

The Company published their *Fibre Procurement Policy for Protecting Forests* being effective on 8th August 2019, and committed to

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

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Invest Group Input:	Approximately 30% Dissolving pulp, 67% cotton linter and 3% bamboo pulp.	

Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: The Company has done overlays for some suppliers, but did not provide map overlay with Ancient & Endangered Forests for all suppliers.
Mill Capacity:	58,000 tons viscose rayon filament yarn /year	
Primary Activity:	Viscose rayon filament yarn	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 3,133	Permanent female: 1,416
	Contract male: 0	Contract female: 0
	TOTAL:	4,549

Sites included in evaluation	Location
Jilin Chemical Fiber Stock Co., Ltd. Corporate office	No.216, Kunlun Street, ETD Zone, Jilin province, China
Viscose mill (start production in 1964)	No.216, Kunlun Street, ETD Zone, Jilin province, China

3. EVALUATION PROCESS

2.1 Audit Team

Auditor name(s)	Qualifications
Gaojun Zhao	Responsible Sourcing Specialist, NEPCo; FSC FM/CoC Lead Auditor and NEPCo 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.
Guangxin Wang (Observer)	Responsible Sourcing Specialist, NEPCo;

2.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Corporate Office	24 th December 2019	5 hours



Viscose mill	24 th December 2019	3 hours
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Note: more details about audit process are provided in a separate audit plan

2.3 Description of Overall Audit Process

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

On 24th December 2019, the audit started with an opening meeting with the presence of top management and the key staff in all departments. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. Also, the management representative gave a brief introduction of the Company and operation activities and the effort made on Canopy sourcing policy.

Following the opening meeting, the auditor interviewed the management team regarding action plan and practises with Canopy policy commitment, including Company structure, Canopy training, purchase policy, supplier management, research of alternative Fibre, environment protection, forest protection, etc.

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

Then, the auditor toured the company's mill including the production line and warehouse. where the brand of the pulp and stock were particularly checked through spot check and staff interviews.

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

The closing meeting was held at the office at 16:00 of 24th 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:

The Company has developed a sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. The operating manual was developed by the HQ and shared with the mill.

The Company had several meetings with Canopy to clarify the requirements and provided several training sessions to the staff at different levels. The key managers are aware of the sourcing policy and definition of ancient and endangered forests.

The purchase department has collected the information from all four suppliers and conducted risk assessment. The pulp suppliers list was made publicly on the Company's official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group.

The Canopy sourcing policy has been communicated to the suppliers and has been included in the purchase contract of one of its suppliers. The Company has created an action plan to increase gradually the quantity of FSC certified wood pulp and plans to purchase the pulp from the suppliers engaging in forest protection program preferentially. The company donated to local nature reserve to protect the intact forest.



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

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

4.2 Summary of findings

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

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Invest Group Sourcing/Forest Policy	1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy **	Commitment Met
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders. **	Commitment in Progress
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	Commitment Met
	1.4 The MMCF producer has developed capacity and Companyal structure to implement the Policy.	Commitment Met
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	Commitment Met
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Commitment Met
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	Commitment in Progress
	1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders	Commitment in Progress
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	N/A
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	Commitment Met

	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	Commitment Met
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group. **	Commitment in Progress
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	Commitment in Progress
	2.3 A risk assessment has been done with the information and shared with Leaders Group.	Commitment in Progress
	2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.	Commitment Met
	2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	Commitment Met
3. No conversion of natural forest to plantations	3.12.96 re f(te)it Td56 517.68 Td[3. N)(.48 re (i)-29(s)TJO -9.84 T3g)-28(its)-16(custe	



	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	Commitment Met
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	Commitment in Progress
	6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	N/A
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	N/A
	6.4 The MMCF producer has developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	N/A
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	N/A
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	Commitment in Progress
	7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **	Commitment in Progress
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	Commitment Met
	7.4 The MMCF producer and its suppliers have developed internal capacity and Companyal structure to recognize and respect the rights of its workers	Commitment in Progress
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	Commitment Met
	7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	Commitment in Progress
8. Development of Innovative and Alternative Invest Group	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate	Commitment In Progress

	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. **	
	8.2 The research and development phase for the production of pulp and cellulosic Invest Group made from alternative Invest Group sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	Commitment in Progress
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	Commitment in Progress
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	Commitment in Progress
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	Commitment in Progress
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	N/A
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	Commitment in Progress
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.	Commitment in Progress
	11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forested peatland at the concession and landscape level (peat dome) and that have identified, withdrawn from and restored peatlands and their hydrology. **	Commitment in Progress
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</p>	Commitment in Progress

4.3 Volume Summaries



Reporting period: from July 2018 to November 2019

Category	Explanation	Purchase Volume (tons)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0%
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	0	0%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	0%
Non-FSC	Material received with no FSC claim.	40,309 tons	100%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0%

Notes on certified sourcing:

- In 2017 the company purchased 494tons FSC Mix Credit pulp.
- At the time of this audit, the company placed purchase order of 1,000 tons certified pulp from Domsjo.

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

1. Evaluation of Site: Jilin Chemical Fiber Stock Co., Ltd. Corporate Office

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Li Kui, Vice GM & head of Sustainable development committee
Auditor(s):	Gaojun Zhao, Guangxin Wang
People Interviewed, Titles:	<ul style="list-style-type: none"> - Mr Wang Lihe, Sustainable development office director - Ms. Kong Yuying, Production manager; - Ms. Xiao Minghui, deputy manager of purchase; - Ms Ma Chunling, warehouse; - Sun He, Sales; - Li Honglei, EHS supervisor; - Ms. Wang Yang, HR
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments: Jilin Chemical Fiber Stock Co., Ltd. Corporate Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill.	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fibre Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy. **	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress



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.**

Conformance with Indicator:

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

Description of the finding:

The Company has developed the operating manual for the implementation of Canopy sourcing policy.

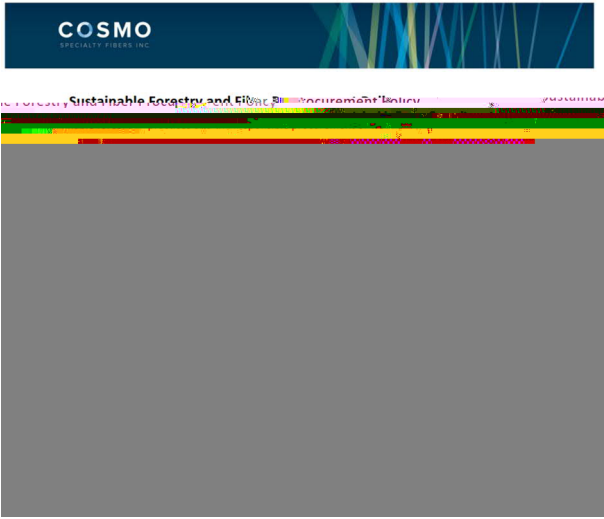
The company asks for acknowledgement with the sourcing policy from the suppliers. The suppliers are required to sign the supply agreement of dissolving pulp stipulating the Canopy sourcing policy must be respected. The supplier with non-compliance must take actions within deadline (6 months). If the non-conformity is not solved by the supplier within the deadline, the company will stop purchase. However, at the time of this audit, the standard operating procedures (SOP) was not consulted with civil society stakeholders.

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

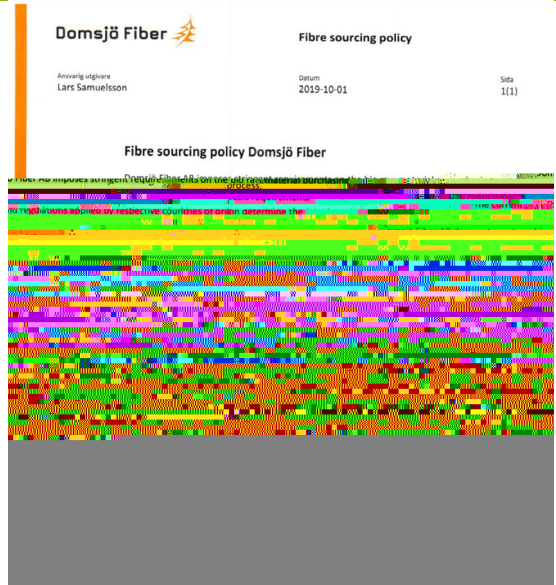
Conformance with Indicator:

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

Description of the finding:

	<p>Description of the finding:</p> <p>The Company organization structure for implementation of policy has been shared with the auditor.</p> <p>The Sustainable development committee was established in November 2019, led by the vice GM with the staff members from Purchase, Sales, Logistic, production, EHS, Equipment & Energy, HR.</p> <p>Interviews found all relevant staff were aware of Canopy policy and their responsibility.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company notified all suppliers the commitments via email & Wechat (Well-known message app in China) in March 2019 (prior to signature by top management).</p> <p>Cosmo signed the commitment letter and supply agreement regarding Canopy sourcing policy and provided Sustainable Forestry and Fiber Procurement Policy.</p>  <p>The supplier Ekman (Domsjo pulp) has signed a commitment letter and the pulp mill presented the sourcing policy.</p>



	
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"><input type="checkbox"/> Not Applicable<input checked="" type="checkbox"/> Commitment Met<input type="checkbox"/> Commitment in Progress<input type="checkbox"/> Commitment Not Met<input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>According to the sourcing operating manual, the purchase contract will include this requirement "The seller has already read and understood the buyer's sourcing policy, and respects the policy, and supports Conservation of Ancient & Endangered Forests and Intact Forest Landscapes, Reduction of Greenhouse Gas Footprint.</p> <p>The seller upholds the international labour organization (ILO) declaration on fundamental principles and rights at work and will require the equivalent of their own suppliers.", which is also confirmed by interview with the purchase department.</p> <p>The requirements to implement the policy have been included in the contract with the supplier Ekman (Domsjo pulp).</p> <p>However, at the time of this audit, the requirements are not included in the contract with other suppliers (Borregaard AS, AustroCel Hallein GmbH & Cosmo), because there was no new contract with these suppliers since the implementation of Canopy sourcing policy.</p> <p>Updated based on extra evidences 8th May 2020:</p>

The seller has already read and understood the buyer's purchase policy, and respects the policy, and supports Conservation of Ancient & Endangered Forests and Intact

[illegible]

Conformance with Indicator:

- Description of the finding:**



	<p>The company developed the supplier performance monitoring procedure, including monitoring frequency and month, monitoring method (documents review and onsite visit if necessary), the evidences to be checked, etc.</p> <p>Based on the procedure, the supplier must comply with Canopy requirement and with the low risk. The performance of active suppliers will be monitored annually.</p> <p>The identified non-compliance will be announced to the suppliers and must be address within 6 months.</p> <p>However, since the commitment date of the policy, the company has not conducted annual monitoring to the suppliers in CanopyStyle framework requirements. This will be evaluated in next audit.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company established the grievance procedure and made publicly the complaint channel on the website. http://www.jlhxit.com/xwzx.asp?cid=3&sid=1&id=2019112114522648616</p> <p>However, no evidence showed that the grievance procedure has taken the input and agreement of civil society stakeholders into account.</p>
1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>No complaints have been received, and no non-conformance has yet been recognized as this is the first CanopyStyle audit.</p>
1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The Company organized several training sessions on the policy and Canopy requirements in August and September 2019 and also consulted the Canopy for three times via conference meetings.</p> <p>The interviews to relevant staff in corporate office and mill demonstrated they are fully aware the policy and were able to explain to the auditor how they should implement the policy.</p>
1.11 Each production site manager has developed procedures to implement the Policy, when relevant. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Yes, the SOP developed by the group headquarters was shared with the viscose mill.</p>
<p>Summary: The Company has developed a fibre sourcing policy with supporting procedures for implementation of Canopy requirements and conducted training. The sourcing policy is made available on the company's website and communicated to the dissolving pulp suppliers. The sustainable development committee was established to ensure the implementation. However, these procedures developed have not been consulted with stakeholders.</p> <p>According to the sourcing operating manual, the purchase contract will include this requirement, which is also confirmed by interview with the purchase department. However, at the time of this audit, the requirements are not included in the contract with some suppliers.</p> <p>In addition, since the commitment date of the policy, the company has not conducted annual monitoring to the suppliers in CanopyStyle framework requirements. This will be evaluated in next audit.</p> <p>Updated 8th May:</p> <p>The requirements have been included in the contracts with active suppliers – Domsjo and Hallein.</p>	

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

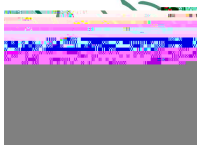
Indicators	Findings
2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group. **	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company provided a list of dissolving pulp suppliers at the time of this audit.</p> <p>The Company has assessed all supply chain partners to the sourcing policy and the vice general manager confirmed that they are willing to share with Leaders group.</p>



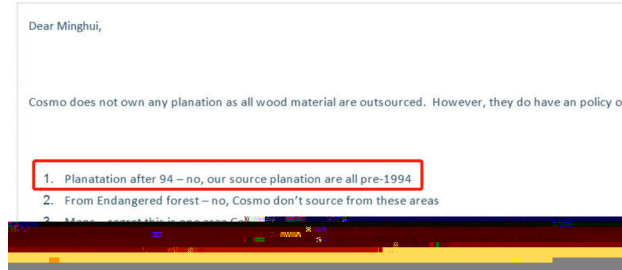
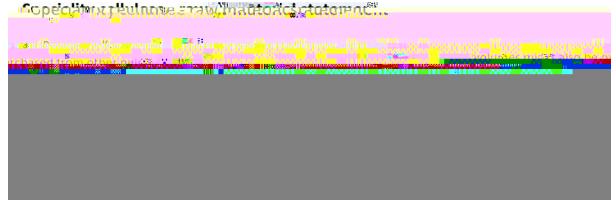
All suppliers are concluded by the Company as low risk, including Borregaard, AustroCel Hallein, Cosmo and Domsjo.

Prior to the audit, Canopy shared an advice note (Classification of dissolving pulp mills) that assess commonly used dissolving pulp manufacturers.

<p>2.3 A risk assessment has been done with the information and shared with Leaders Group.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The risk assessment was conducted for all 4 suppliers by the company and shared with LG.</p> <p>Canopy published an advice note that assess commonly used dissolving pulp manufacturers. The 2 suppliers (Borregaard and Cosmo) have differing ratings between the Company risk assessment and Canopy's dissolving pulp classification, due to the need for more information on forest of origin location. For the 2 suppliers, the Company collected only FSC-COC certificates and sourcing policy of them without forest origin or other supporting evidence.</p> <p>In addition, as noted in finding 2.1, the assessment did not fully take care of the risk of sourcing from controversial sources.</p>
<p>2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The supply chain assessment has presented to Canopy with permission to share with the Leaders group for comments.</p> <p>More information was required from the two suppliers with potential risk – Cosmo & Borregaards and the company did so, and is currently in the process of acquiring additional information.</p>
<p>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>On 21st Nov. 2019, the Company has published its suppliers on website:</p> <p>http://www.jlhxit.com/xwzx.asp?cid=3&sid=1&id=2019112115113242997</p>



	<p>The following suppliers has been used in 2019:</p> <ul style="list-style-type: none"> - BORREGAARD AS, from Norway - CENTRAL NATIONAL GOTTESMAN INC, from US - EKMAN & CO AB, from Sweden (DOMSJO) - AUSTROCEL HALLEIN GMBH, from Austria <p>The company is planning to purchase FSC pulp from Sodra and testing the quality.</p>
<p>Summary: The company collected the supply chain information from the suppliers, conducted the risk assessment and published the supplier list on their website. All suppliers are concluded by the Company as low risk, including Borregaard, AustroCel Hallein, Cosmo amd Domsjo. However, 2 suppliers (Borregaard and Cosmo) have differing ratings between the Company risk assessment and Canopy's dissolving pulp tool, due to the need for more information on forest of origin location. Since 30th April 2020, the company decided to suspend sourcing from the two suppliers (Borregaard and Cosmo).</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Cosmo: The plantation used is declared initially established pre 1994.</p>  <p>Borregaard: the statement said it doesn't buy plantation wood and all wood material is from cultivated Natural forest.</p>  <p>AustroCel Hallein: based on Canopy's assessment, there is no interest from an area that would be a plantation established after 1994.</p> <p>Domsjo: the information is not provided, based on Canopy's assessment, there is no interest from an</p>

	<p>area that would be a plantation established after 1994.</p> <p>In addition, no supporting documents were provided from the suppliers – Borregaard and Cosmo to confirm the forest type (plantation or natural forest).</p> <p>Updated based on extra evidences 8th May 2020:</p> <p>Since 30th April 2020, the company decided to suspend sourcing from the two suppliers (Borregaard and Cosmo).</p>
<p>Summary: The Company requested suppliers to disclose the forest type and plantation establishment date. However, no information was provided from the supplier Domsjo and no supporting documents were provided from the suppliers – Borregaard and Cosmo to confirm the forest type (plantation or natural forest). Since 30th April 2020, the company decided to suspend sourcing from the two suppliers (Borregaard and Cosmo).</p>	

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

Indicators	Findings
4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The Company's policies and procedures include the definitions of ancient & endangered forests, intact forests, and controversial sources as the CanopyStyle framework.</p>
4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Leaders Group.**	<p>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 forest map from Domsjo was provided indicating no wood is from the ancient and endangered forest.</p> <p>For other 3 suppliers (Hallein, Borregaard and Cosmo), it's unknown because of lack of map or detailed information of origin, the forest origin can be traced at country level only which does not</p>



	<p>allow to identify if the material is sourced from ancient and endangered forests. However, the Canopy dissolving pulp classification tool has Hallein as no sourcing issues identified based on current information and/or CanopyStyle audit.</p> <p>Additionally, all suppliers are assessed as low risk by the company, but Canopy published an advice note that assess commonly used dissolving pulp manufacturers. There are 2 suppliers with differing ratings between the two risk assessments (section 4.1 of the main report), often due to the need for more information on forest of origin location.</p> <p>Further, no evidence showed the company has assessed the risk of sourcing from controversial sources in addition to ancient and endangered forests.</p> <p>Updated based on extra evidences 8th May 2020:</p> <p>Jilin Chemical Fiber suspended the purchase from Borregaard and Cosmo with potential risk because of lack of origin information. The statement on suspending purchasing is available on the company's website: http://www.jlhxjt.com/xwzx.asp?cid=13&id=2020050211022257981.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The purchase statistic since July 2018 was presented and the following contract was sampling checked:</p> <ul style="list-style-type: none"> - No.01445 from AustroCel from Austria - No.46354259 Domsjo from Sweden; - CP2019-CM08058 from Cosmo from US - JCF20190819 from Borregaards, Norway <p>No material from such forest are identified by the Company.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>The interviews to the management confirmed they were aware all relevant laws and regulations.</p> <p>NEPCon auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>There is no news or information disclosed that the organization is non-compliance with national and international laws. The Company approved the ISO9001:2000 standard quality system, ISO14001:2004 Environment Management System.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</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 commitment letter of not sourcing from ancient and endangered forests and other controversial sources was signed by two suppliers Ekman (Domsjo pulp trader) and Cosmo.</p> <p>The risk assessment of sourcing from ancient and endangered forests is based on the information/documents collected from the suppliers.</p> <p>Note that most suppliers provide declaration of their sourcing origin and information. For example, the supplier Borregaard only provided a raw material statement and Cosmo provided a procurement policy. This information is a declaration and has not yet been verified by the company.</p> <p>Updated based on extra evidences 8th May 2020:</p> <p>Jilin Chemical Fiber suspended the purchase from Borregaard and Cosmo with potential risk because of lack of origin information. The statement on suspending purchasing is available on the company's website: http://www.jlhxt.com/xwzx.asp?cid=13&id=2020050211022257981.</p> <p>Sourcing is to be verified at the next annual audit to confirm suspension of purchases.</p>
<p>Summary: The MMCF producer has adopted clear definitions for the terms included in their Policy. The forest map from Domsjo was provided indicating no wood is from the ancient and endangered forest. For other 2 suppliers (Borregaard and Cosmo), it's unknown because of lack of map or detailed information of origin, the forest origin can be traced at country level only which does not allow to identify if the material is sourced from ancient and endangered forests.</p>	



Additionally, all suppliers are assessed as low risk by the company, but Canopy published an advice note that assess commonly used dissolving pulp manufacturers. There are 2 suppliers with differing ratings between the two risk assessments (section 4.1 of the main report), often due to the need for more information on forest of origin location.

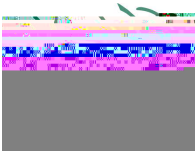
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them

Indicators	Findings
5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: All dissolving pulp mills are identified. The forest origin for the supplier Domsjo was disclosed. However, the forest of origin for three suppliers (COSMO, AustroCel Hallein, Borregaard) was known only at country level which does not allow full risk assessment and determine the risk level, however, the AustroCel Hallein is classified as low risk by Canopy. </p>
5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: Based on the operating manual, the supplier must comply with Canopy requirement and with the low risk. The performance of active suppliers will be monitored annually. The identified non-compliance will be announced to the suppliers and must be address within 6 months. If the issue cannot be addressed within 6 months, the purchase from the supplier will be terminated. This requirement will be also included in the contract with the suppliers. </p>
5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met </p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: Updated based on extra evidences 8th May 2020: Jilin Chemical Fiber suspended the purchase from Borregaard and Cosmo with potential risk because of lack of origin information. The statement on suspending purchasing is available on the company's website: http://www.jlhxjt.com/xwzx.asp?cid=13&id=2020050211022257981 .
Summary: All dissolving pulp mills are identified. The forest origin for the supplier Domsjo was disclosed. However, the forest of origin for two suppliers (COSMO, , Borregaard) was known at country level only which does not allow full risk assessment and determine the risk level. Based on the operating manual, the identified non-compliance will be announced to the suppliers and must be address within 6 months. If the issue cannot be addressed within 6 months, the purchase from the supplier will be terminated.	

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

Indicators	Findings
6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. This indicator is graded as "Commitment in progress" due to the fact that no such practice has happened to date.
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.**	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: N/A – no supplier with high risk of sourcing from ancient and endangered forests is used. The suppliers Borregaard and Cosmo with



<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by</p>	<p>potential risk require additional information on sourcing.</p>
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7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **

Conformance with Indicator:

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

Description of the finding:

The company requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.

Sourcing policy has been developed and posted on the company's website(<http://www.jlhxt.com/xwzx.asp?cid=3&sid=1&id=2019112114522648616>), and **plan to put into contracts with supplier in the future.**

Sourcing risk evaluation report (Canopy) finished on December 12th, 2019 was checked, four suppliers have been evaluated and rank 2 as having no known sourcing issues (with FSC and PEFC certificates); one that requires additional information; and that has potential risk. Through this evaluation, supplier sourcing policies have been understood and evaluated. The company is communicating with its suppliers on related requirements on Free, Prior and Informed Consent of Indigenous people and local communities.

Jilin Chemical Fiber Stock Co. holds a FSC certificate of **SGSHK-COC-310131**, which is valid to 2022-06-08. (<https://info.fsc.org/details.php?id=a02f300000gHg7oAAC&type=certificate>)

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. **

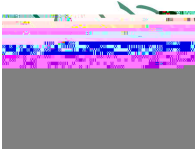
Conformance with Indicator:

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

Description of the finding:

At the time of the audit, the Company lacked evidence from the supplier on how they confirm with the commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.

As many of the suppliers hold certification (either FSC or PEFC) and have provided sourcing policies, this indicator is being graded as in process.



7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.

Conformance with Indicator:

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

Description of the finding:

The company is FSC certified.

The Company adopt Petitioning system (

)and has the Petitioning system department

(in charge by the vice-president of HR

department)as required by national requirement on state-owned companies.

<Eternal stakeholders Management Criterion>(

) valid on Oct 26th, 2018 is checked, but only limited to safety production aspects.

< Supplies purchasing management standard>(

)valid on April 20th, 2019 was checked, but there is no related canopy requirement in it;

<The documentation control Regulation>(

) has been approved on Dec13, 2019, and the working group on documentation modification(

) has been established on the same day, which will be responsible for modifying company management documentation system.

The suppliers Domsjo, Borregaard and Cosmo are FSC COC certified companies which could guarantee the conformance to this indicator, as FSC COC certified companies are required to have such a mechanism for their certified scope.

AustroCell has PEFC certificate which also requires a complaints mechanism and resolution.

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

Conformance with Indicator:

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

Description of the finding:

This company has developed internal capacity and Company structure to recognize and respect the rights of its workers, such as labor union and OH&S team. During audit, interviews of worker showed their rights are respected.

The company is holding the certificate of **SA 8000:2014** with certificate number of 20229-A01(issue date 2019 Jan 22, expire date on 2022 Jan 22).



	<p>All suppliers are FSC or PEFC certified companies and the supplier AustroCel Hallein is OHSAS 18001 certified, which could provide a high level of confidence that ILO is upheld via certification requirements.</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>This company is holding the certificate of SA 8000:2014 with certificate number of 20229-A01(issue date 2019 Jan 22, expire date on 2022 Jan 22);</p> <p>The company is holding the certificate of SGSHK-COC-310131, which is valid to 2022-06-08.</p> <p>Recognition and respect for human right is included in the Company's policy. Within the Company, there is a labor union which actively engages in the management of the Company.</p> <p>The Company and all suppliers are FSC or PEFC certified companies and the supplier AustroCel Hallein is OHSAS 18001 certified.</p> <p>However, most of the materials are not being received with certification claims to ensure this commitment is met all throughout the supply chain, back to the forest.</p>
<p>Summary: Recognise, respect and uphold human rights and the rights of communities and workers was included in the Company's policy. Some suppliers have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>All suppliers are FSC or PEFC certified companies and the supplier AustroCel Hallein is OHSAS 18001 certified, which could provide a high level of confidence that ILO is upheld via certification requirements and the responsible handling of complaints and resolution of conflicts is in place. The Company does hold FSC certification. In 2017 the company purchased 500tons FSC Mix Credit pulp from Domsjo and on 23rd December 2019 the company signed the purchase contract with the same supplier covering 1,000 tons FSC Mix Credit dissolving pulp, which can provide a level of confidence that these commitments are met, however, most of the materials are not being received with certification claims to ensure this commitment is met all throughout the supply chain, back to the forest.</p>	

8. Development of Innovative and Alternative Fibre

Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fibre sources that reduce environmental and social impacts,</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress </p>



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:

In 2019, the company purchased 2022 tons bamboo pulp which accounts for 3% of the input raw material and the bamboo viscose rayon has been in commercial production. However, the bamboo pulp is not FSC certified, it can be not deemed as alternative pulp.

Updated based on extra evidences 8th May 2020:

The bamboo pulp is purchased from the pulp mill – Sichuan Tianzhu who holds a valid FSC-COC certificate, DNV-COC-001470. Jilin Chemical Fiber collected the certificate of the supplier and declared Yibing city where the supplier is located boasts abundant bamboo resource. They can purchase certified bamboo pulp in the future.

However, no evidences have been demonstrated (such as sales documentation with FSC certified claims) that the purchased bamboo pulp meets the [seven criteria](#) established by Canopy for bamboo pulp as alternative pulp.

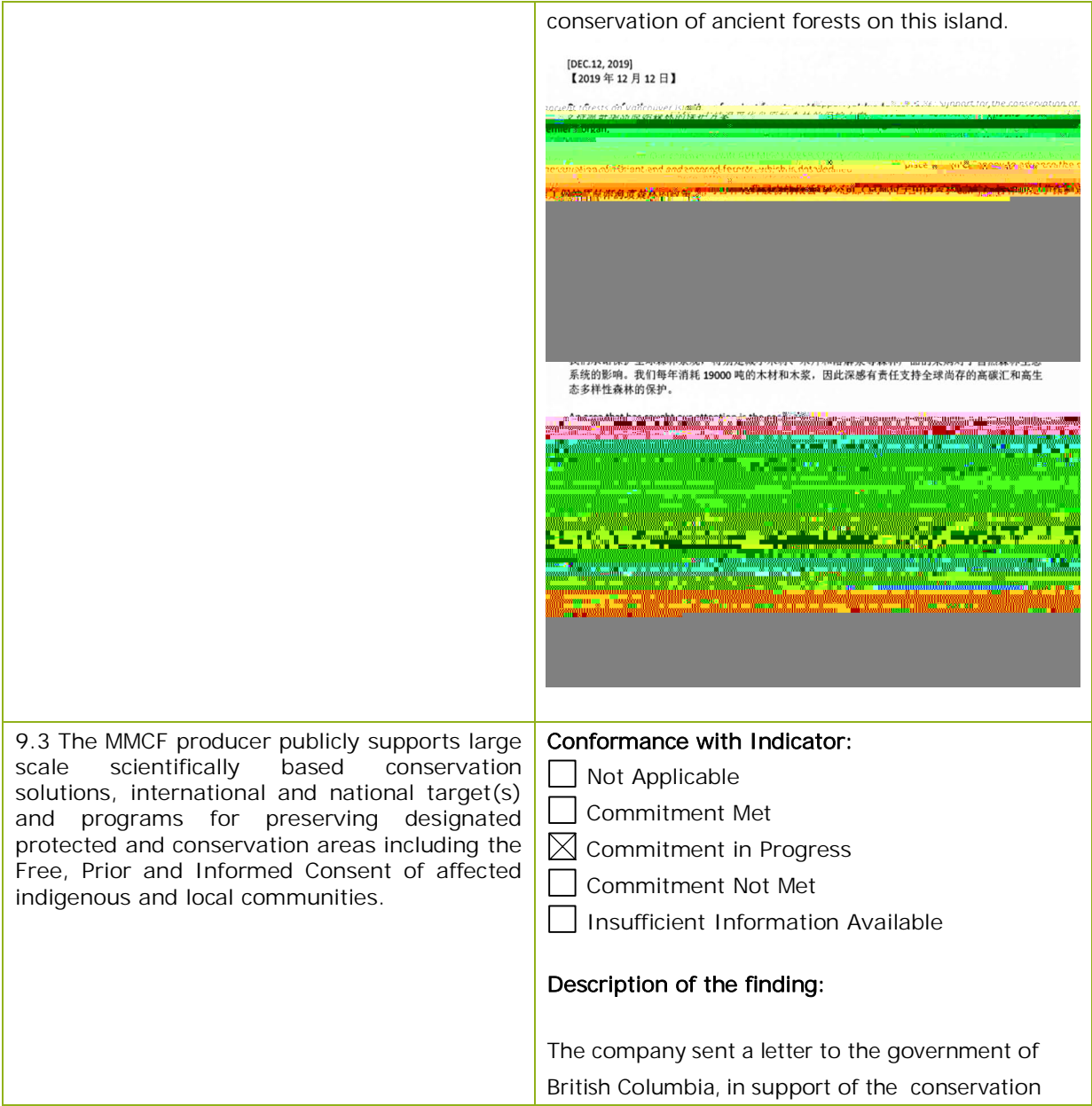
Summary: At the time of the audit, the Company has an internal action plan to explore and encourage the development of new alternative fibre sources, such as recycled fibres and agricultural residues. The company is researching the new product with input of recycled cotton fiber in collaboration with the company Re:newcell. The collaboration agreement and the testing records are presented.

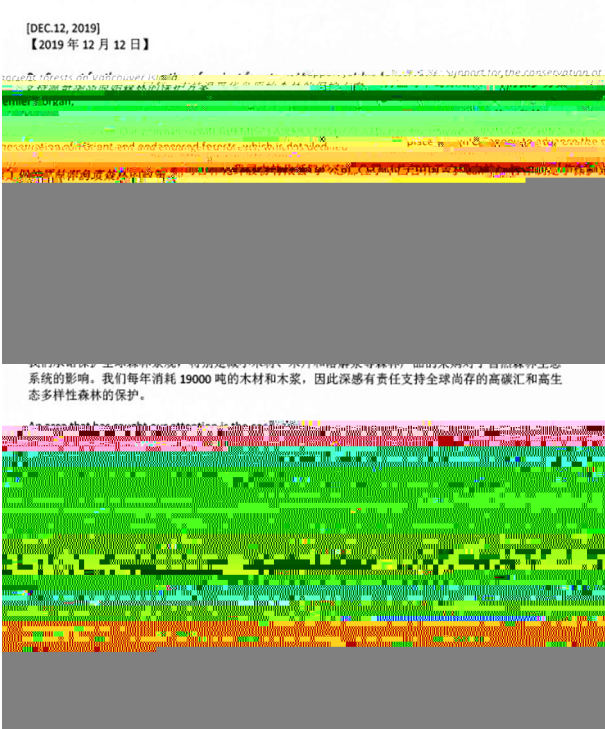

The company has researched the technology of making the pulp by using corn husks with the sample of the pulp and testing results provided.

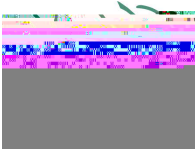
9. Advocacy for conservation solutions

Indicators	Findings
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests. **	<p>Conformance with Indicator:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>The company participated in the recent summit held by Canopy in Shanghai (2019) and is seeking</p>

the opportunity to participate in the project of protecting the remaining ancient and endangered forests. The company sent a letter to the



	<p>of ancient forests on this island.</p> <p>[DEC.12, 2019] 【2019 年 12 月 12 日】</p>  <p>The company donated 10,000 CNY to support the conservation of the intact forest in Changbai Mountain Nature Reserve.</p> 
<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</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>Summary: The Company has positively engaged in the recent Canopy Summit and requested all suppliers to make commitments on FPIC. The company donated 10,000 CNY to support the conservation of the intact forest in Changbai Mountain Nature Reserve.</p>



10. Responsible forest management

Indicators

10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. * *

Findings

Conformance with Indicator:

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

Description of the finding:

In 2017, the company purchased 500tons FSC Mix Credit pulp from Domsjo through the trader Ekman.

In 2018, no FSC certified pulp was purchased.
On 23rd

	<p>Description of the finding: Based on the operating manual, the Company will give preference to the certified pulp and the suppliers that have management measures to protect forest and peatlands.</p>
<p>Summary: The Company requires the suppliers to provide evidences of reducing GHG. However, at the time of this audit, the company did not provide the information from the suppliers on their efforts to reduce GHG footprint. Based on the operating manual, the Company will give preference to the certified pulp and the suppliers that have management measures to protect forest and peatlands.</p>	

12. Pollution Prevention	
Indicators	Findings
<p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: According to the energy audit report 2018 for conducted by the government, the comprehensive energy consumption was lower 336.23 kgce/t during last period. The mill saved 1.61 million kwh, 60,000 t steam and 750,600 t water.</p> <p>The company innovated evaporation recycling technology independently with patent and awarded by local government. Since 2002, the Company has used this technology in spinning workshop where the 98% of water can be recycled.</p> <p>2002 98%</p> <p>The company also presented the evidences of several other improvements for saving water & energy.</p>
<p>Summary: The company innovated evaporation recycling technology independently with patent and awarded by the government. Since 2002, the Company has used this technology in spinning workshop where the 98% of water can be recycled.</p>	



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

1. Evaluation of Participating site: Viscose Mill of the company

Primary Responsible Person: (Responsible for control system at site(s))	Li Kui, Vice GM
Auditor(s):	Gaojun Zhao, Guangxin Wang
People Interviewed, Titles:	<ul style="list-style-type: none">- Ms. Kong Yuying, Production manager;- Ms Ma Chunling, warehouse;- Li Honglei, EHS supervisor;- Ms. Li Dan, Energy workshop;- Ms. Zhao Yanqiu, product warehouse;- Mr. Peng Liwei, director of colloid making workshop;- Liu Li'na, technician at colloid making workshop;- Yuan Yuyao, technician at colloid making workshop;- Zhou Yonghui, worker at colloid making workshop;- Li Chao, director of spinning workshop;- Wei Haiying, technician of spinning workshop;- Liu haibo, Environment protection.
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose filament rayon production and storage of material and products.

2. Standard Checklist

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

<p>1.11 Each production site's/mill's managers have developed procedures to implement the</p>	<p>Training to middle and top management level, 8April2019; Training to all relevant staff, 11June2019; Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
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fibres <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<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: The mill has no sourcing activity of wood pulp. The mill maintains the delivery documents of wood pulp, such as bill of landing. However, the forest of origin is not presented on these documentations.</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.	<div>Conformance with Indicator:</div> <div><input type="checkbox"/> Not Applicable</div> <div><input checked="" 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: The mill has no sourcing activity of wood pulp. The certification code and claim is included on the commercial invoice and packing list from the supplier Ekman (the trader of Domsjö pulp).</div>
2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.	<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: The mill has no sourcing activity of wood pulp. The corporate office maintains the records of annual purchase and sales.</div>
2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant	<div>Conformance with Indicator:</div> <div><input type="checkbox"/> Not Applicable</div> <div>Description of the finding: The mill has d 15(ocu)24yleorisens</div>

	However, the delivery note does not include the forest/plantation of origin.
Summary: The mill is not involved in purchasing. The delivery documentations are maintained. Certificate code and claim are included in the invoice and packing list from suppliers for certified dissolving. However, neither the delivery documentation from the suppliers nor that from the company does not include the forest of origin.	

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

Indicators	Findings
4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations.</p> <p>Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, export license, etc.</p> <p>At the time of this audit, there is no news and information in the public domain that the organization is non-compliance with national and international laws. The Company has the valid certificates of the ISO9001 quality system, ISO14001 Environment Management System, SA 8000, FSC-COC, etc.</p>
4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>The mill has no sourcing activity of wood pulp.</p> <p>By interviews, the management staff of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</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 <input type="checkbox"/> Commitment Met </p>



	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The assessment was conducted by sourcing department at headquarters.
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.	Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: Risk assessment and supplier assessment were conducted by the group headquarter. Detailed findings please refer to section 2 of the checklist for Corporate Sourcing (headquarters)
Summary: The interviews with the management indicates they were aware all relevant laws and regulations. At the time of this audit, there is no news and information in the public domain that the organization is non-compliance with national and international laws. Key managers of each position demonstrated awareness of definitions of Ancient and Endanger forests and controversial sources. Supplier assessment and material sourcing risk were evaluated by the HQ's sourcing office.	

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

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Jilin Chemical Fiber Stock Co. for continuous improvement

Canopy applauds Jilin for embarking on the verification process in late 2019, very quickly after adopting a wood sourcing policy. The audit shows that Jilin staff are well-trained on the policy content, that the company is communicating its policy requirements to its suppliers, and has taken action to mitigate risk in its supply chain.

As a result of these efforts, the company is currently on the path to achieving low risk of sourcing from Ancient and Endangered Forests.

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

1. Continue to screen suppliers for risk, and provide evidence for this at the next CanopyStyle annual audit;
2. Continue to invest in the development of next generation low impact alternative fibres, such as recycled textile waste and agricultural waste, and develop targets and timelines for commercial use;
3. Implement the company's action plan to increase the amount of FSC certified fibre used, with a preference for fibre from FSC certified forests (FSC 100%);
4. Build on the company's initial action to support the conservation of a key landscape of hope in Vancouver Island, to include advocacy for other key regions globally;
5. Ensure that all bamboo fibre inputs are 100% FSC forest management certified, with corresponding claims.

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

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

Once again, we congratulate you for the timely completion of the audit and for proactively taking steps to address risk in your supply chain. We look forward to continuing to work collaboratively with Jilin.