



CanopyStyle Verification and Guidelines

Evaluation Report for:

**Tangshan Sanyou Xingda Chemical
Fibre Co. Ltd.
in
Tangshan, China**

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1 INTRODUCTION

The purpose of this report is to document performance of **Tangshan Sanyou Xingda Chemical Fibre Co.Ltd** hereafter referred to as "Organization", against the requirements of the Verification Framework and Guidelines, (September 2016 version) developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)¹ and the over 161 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, such as **Tangshan Sanyou Xingda Chemical Fibre Co.Ltd**, 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 Rainforest Alliance auditors who have evaluated company systems and performance against the applicable standard(s). The public version excludes confidential and sensitive information that does not affect the formal results of the audit. It is a result of an additional contract between Rainforest Alliance and Sanyou, and has been approved by Canopy according to the CanopyStyle verification framework (finalized 26 June 2018). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy's map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk.

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

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

¹Current members of this group are H&M, M&S, Inditex/Zara, EILEEN FISHER, Stella McCartney and Canopy

2 GENERAL DESCRIPTION

Tangshan Sanyou Xingda Chemical Fibre Co.Ltd is a global leader in manufacturing man-made cellulosic fibre for the textile industry. 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 organization 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 500,000 tons, products include high whiteness fibre for non-woven, color fibre, modal fibre and bamdal fibre. The organization is FSC CoC certified (SGSHK-COC-330228), also certified against ISO 9001, ISO 14001, OHSAS and OEKO-TEX.

The organization prides itself on its environmental sustainability and corporate social responsibility policies. They are participating in the CanopyStyle Initiative² and as recognition of their commitment are undergoing this evaluation.

Tangshan Sanyou Xingda Chemical Fibre's pulp sourcing policy states that:

The company shall implement its best efforts to

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

The organization does not own a pulp mill or forests, rather, they purchase dissolving pulp globally. The pulp purchasing decisions for both Xingda mill and Yuanda mill is made centrally in the company's material supply department according to the production requirements. The material supply department sources domestic pulp directly and works with Tangshan Sanyou (Hong Kong) Trading Co. Ltd, which is a subsidiary of Tangshan Sanyou Group to source pulp from overseas.

From the effective date of the Canopy commitment until today, the organization sourced from 14 dissolving pulp suppliers, among which 13 suppliers are FSC CoC certified, 1 PEFC certified; 2 domestic suppliers, account for 35% of the total pulp procurement, and 12 overseas pulp suppliers

² The CanopyStyle Initiative is led by environmental not-for-profit Canopy which, to date, has supported over 161 brands, designers and retailers, as well as 9 of the top 10 largest global viscose producers, on developing sourcing policies for fabrics made from forests.

account for the remaining 65%. 7% of total pulp is FSC certified, the remaining 93% of the pulp is from FSC or PEFC certified suppliers, but being received without certification claims.

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 180,000t/a HT fiber and NW fiber. The organization 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 6 lines with a total production capacity of 320,000t/a HT fiber and NW fiber. The organization 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.

3 EVALUATION SCOPE

3.1 Scope

This evaluation of **Tangshan Sanyou Xingda Chemical Fibre Co.Ltd**'s raw material sourcing is an onsite audit, including the audit to Yuanda Chemical Fibre Co. Ltd, which is subcompany of Xingda. The Tangshan Sanyou production man-made cellulose fibers companies are audited under a single scope against the requirements of the CanopyStyle Verification Framework and Guidelines (March 2016 version).

The objective of this audit is to gather appropriate evidence to verify whether Ancient and Endangered Forests (AEF) and/or controversial sources are potentially in the supply chain. Where risk is not determined to be low, and when documents provided are limited or insufficient to come to such conclusion with certainty, additional onsite audits would be required at any of the dissolving pulp suppliers' mills or forest harvesting sites.

Scope of the Evaluation:

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 from 14 suppliers	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: Overlays were not conducted as a apart of the risk assessment.
Mill Capacity:	500,000 ton/year	
Primary Activity:	Viscose production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input checked="" 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	

Number of sites included in this Evaluation: 3

Name/Description of sites	Location
Tangshan Sanyou Xingda Chemical Fiber Corporate Office	Tangshan, China
Xingda Mill	Tangshan, China
Yuanda Mill	Tangshan, China

4 EVALUATION RESULT

4.1 Evaluation Conclusion

On Dec 15-16, the Rainforest Alliance conducted an independent third party verification audit of the progress made by **Tangshan Sanyou Xingda Chemical Fiber Co.Ltd** in implementing the commitment of the **Pulp Sourcing Policy**, to document the risk of sourcing from the world's ancient and endangered forests and other controversial areas, as well as additional related sustainability solutions and targets of the CanopyStyle Initiative³. The CanopyStyle Verification Framework and Guidelines also are new in China. This audit is the first that Sanyou has undertaken and systems required by the Guidelines have not been in place long enough for some indicators to be fully implemented.

³ The CanopyStyle Initiative is led by environmental not-for-profit Canopy which has supported over 161 brands, designers and retailers, as well as 9 of the top 10 largest global viscose producers, on developing sourcing policies for fabrics made from forests.

The Rainforest Alliance verification audit reports that **Tangshan Sanyou Xingda Chemical Fiber Co. Ltd** progress to meet these commitments varies. This report documents the progressive and critical indicators (key performance indicators or KPIs) that have been fully met, those that are in partial conformance and those that are not in conformance, and specifies why.

Tangshan Sanyou Xingda Chemical Fiber Co.Ltd is expected to immediately address the critical KPIs that have not been met or that are partially met, and make progress on the “progressive” KPIs over time.

Appendix A <i>Corporate Level</i>	Critical criteria	Progressive criteria
Commitment Met	1.1, 1.3, 1.5, 1.9, 4.1, 4.4, 8.1	1.4, 1.8, 7.4, 8.2
Commitment In Progress	1.2, 1.6, 1.7, 1.10, 1.11, 2.1, 4.2, 4.5, 5.1, 5.2, 5.3, 6.1, 7.1, 7.2, 7.5, 9.1, 9.2, 10.1, 11.2	2.2, 2.4, 2.5, 7.3, 11.1, 12.1
Commitment Not Met	3.1, 4.3, 9.4,	9.3., 2.3
Insufficient Information Available	4.3	
Not Applicable		

Appendix B <i>Xingda Mill</i>	Criteria
Commitment Met	2.9, 4.4
Commitment In Progress	1.10, 1.11, 4.5,2.6, 2.7, 2.8
Commitment Not Met	2.10
Not Applicable	4.6, 4.7, 5.4

Appendix C <i>Yuanda Mill</i>	Criteria
Commitment Met	2.9, 4.4
Commitment In Progress	1.10, 1.11, 4.5,2.6, 2.7, 2.8
Commitment Not Met	2.10
Not Applicable	4.6, 4.7, 5.4

Using the Canopy supplier list format, each direct supplier has been identified, as well as the origin of the pulp and the certification status of the direct supplier. However, the information on pulp origin is often the location of the direct supplier (manufacturer) not the origin of the forest fiber materials. Since the audit was completed, Sanyou is taking efforts to collect forest of origin.

Based on information given, Rainforest Alliance concludes that:

Sanyou supplier’s list includes all dissolving pulp producers, which do not identify the forest of origin, or are in proximity of ancient and endangered forests. Without that information, the raw materials sourced by these suppliers cannot be confirmed to be low risk of being sourced from ancient and endangered forests and other controversial sources (see overall summary of results for how this can be rectified).

Of note, the sourcing geography of certified dissolving pulp from the Brazilian Amazon region, where concerns of illegal logging activities are prevalent. Interpol released a purple notice for such activities that occurred through 04 December 2015. The risk level of this material cannot currently be

confirmed as low risk according to the CanopyStyle initiative. In a declaration dated December 2017, Sanyou noted that due to this risk and the termination of the suppliers' FSC certificate, Sanyou discontinued sourcing from them (September 2016).

For other suppliers, based on known information, there are possible areas of sourcing that are in proximity to ancient and endangered forests. The information provided is at the country or state/province level, but lacks the level of detail required. These suppliers' mills are located in Finland, United States (South East), Canada, Brazil and Sweden - all of these jurisdictions contain ancient and endangered forests. The origin of the materials cannot be considered low risk, and do require the mill to confirm sourcing is not from Ancient and Endangered forests.

Materials sourced from Austria are considered low risk. However, it is required that the mills do confirm sourcing is local to the mill to remain low risk.

Some suppliers are from areas of origin that are known as low risk and certification is in place. Again, it is required that the mills do confirm sourcing is local to remain low risk.

It is also important to note that there are factors that can elevate risk that are not known for the supply chains; most importantly, if the scope of the certification of the suppliers and sub-suppliers cover all sourcing and products of the supplier, or only a portion. The organization is sourcing from CoC certified suppliers, but only collecting certification claims on 7% of materials. It is possible to source non-certified materials (outside of their certification scope) from a certified supplier within FSC and PEFC certification systems, although not common within the pulp industry.

Updated findings prior to report finalization: The organization increased its FSC certified sourcing since the audit site visit. They also have traced the supply chain and collected additional info of forest origin from 9 suppliers after receiving the draft report on June 30, 2017, and shared the addition documents with the Rainforest Alliance on Sep 1st, 2017. The organization revised the SOP and updated the supplier evaluation procedure after the onsite audit in Dec 2016, and shared the documents with Rainforest Alliance on Sep 5, 2017. The auditor reviewed the following three sets of documents, and updated the audit finding in the Appendix B Evaluation Checklist.

- 1\ The Revised SOP
- 2\ The Supplier Evaluation Procedure
- 3\ Forest origin info of 9 suppliers and FSC reports/certificates.

The evaluation of the updates evidence was based on document review and the actual implementation of these procedures were not verified onsite. Additional information on origin is now being collected via a supplier declaration form and check of FSC certification, risks still persist. It is the expectation of CanopyStyle that documentation in addition to declarations, such as purchasing contracts, invoices, or harvesting licenses, supplier verification audits etc. will be requested by Sanyou of its suppliers to confirm suppliers' forest of origin claims.

Some suppliers have yet to provide additional forest origin info, to confirm sourcing as local to the dissolving pulp mill.

4.2 Overall Summary of Results

In summary, the Rainforest Alliance verification audit provides evidence confirming that **Tangshan Sanyou Xingda Chemical Fibre Co. Ltd** is investing in work and resources to implement the commitments of its policy consistent with the solutions and targets of the CanopyStyle Initiative. The organization has assigned a team responsible for the implementation of the policy and all suppliers hold FSC or PEFC certification. Some challenges remain to fully implement the commitment

throughout the company's supply chain. Additional work is required to fully meet all the critical and progressive criteria, and to identify the forest origins and better understand the risk of sourcing from ancient and endangered forests and other controversial sources.

Sanyou's supplier list includes some dissolving pulp producers, which do not identify the forest of origin, or are in proximity of ancient and endangered forests. Without that information, the raw materials sourced by these suppliers cannot be confirmed to be low risk of being sourced from ancient and endangered forests and other controversial sources (see overall summary of results for how this can be rectified).

4.3 Recommendations

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

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

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

It is also recommended that the organization not only ensure suppliers hold certification, but also source materials with certification claims, with a preference for fibre from FSC certified forests (FSC 100%). This ensures that materials are coming from the certified scope of the supplier and supply chain.

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

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

4.4 Performance Measures

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

1	Not Applicable	Is not applicable to the site
2	Commitment Met	Full conformance with indicator
3	Commitment in Progress	Partial conformance

4	Commitment Not Met	Nonconformance
5	Insufficient Information Available	No information during visit

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

5 EVALUATION PROCESS

5.1 Evaluation Requirements

Standard/Guidelines used for the evaluation:	CanopyStyle Verification Framework and Guidelines for Viscose Producers
Key Performance Indicators:	Preliminary KPIs for Viscose producer Annex 3. List of KPIs and verifiers for a viscose or dissolving pulp mill level verification audits

5.2 Evaluators and Qualifications:

Name	Qualifications	Role
Zhang Xinxin	China country rep with RA, has more than 10 years working experiences in FSC certification. Before working for RA, she was the forest officer with WWF China, has led 10 FSC certification and HCVF projects in China, including 2 FSC group certifications in Shandong Linyi and Zhejiang Longquan. She had worked as the forest specialist with IKEA, responsible for evaluating IEKA wood supply chain, and as research assistant in Forest Certification Center with China Academy of Forestry during 2004-2007. She has attended 8 FSC assessments and audits as observers, and completed FSC FM and CoC lead auditor courses. She is qualified as FSC FM lead auditor, FSC CoC auditor, and SAN CoC Lead Auditor.	Auditor
Huang Rui	Huang Rui, Master of Forestry, has 3 years' experience in forest survey and sustainable forestry. Huang Rui is working for China Standard Conformity Assessment Co., Ltd. Product Certification Co.,Ltd as FSC Program manager of the International Cooperation Department. Before that, he had worked for Forest Inventory and Planning Institute of Jilin Province between 2013 and 2014. He also had been a sustainable development department commissioner of APP (China) Forestry between 2014 and 2015. He has attended the auditor training of CFCC, FSC-COC and ISO9000. He passed all the examinations and became both internal auditor and auditor of CFCC. He has participated in different audits, including CFCC-FM audit (guide), ISO14001 audit (guide), FSC-COC audit auditor and FSC-FM support auditor.	Auditor

5.3 Evaluation Schedule

Date	Location /Main sites	Principal Activities
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Dec 15	Corporate Office	Opening Meeting
Dec 15	Corporate Office	Staff Interview
Dec 15	Xingda Mill	Site visit
Dec 15	Yuanda Mill	Site visit
Dec 16	Corporate Office	Document review
Dec 16	Corporate Office	Close meeting

5.4 Interviews

Date	Principal Responsibilities
Corporate Office	
Dec 15	Supply Department responsible for pulp sourcing
Dec 15	Supply Department responsible for pulp sourcing
Dec 15	Head of the Corporate Management
Dec 15	Director Assistant of the New product research and development department
Dec 15	Environment Pollution Control Department
Dec 15	Vice-president responsible for planning, the focal person of Canopy initiative
Dec 15	Supply Department
Dec 15	Corporate Management Department responsible for FSC certification
Xingda Mill	
Date	Principal Responsibilities
Dec 15	Enterprise management department
Dec 15	New product research and development department
Dec 15	Environmental protection department
Dec 15	Director of purchase department
Dec 15	Purchase department
Dec 15	QC department
Dec 15	Sales department
Dec 15	Production department
Dec 15	Production department
Yuanda Mill	
Date	Principal Responsibilities
Dec 15	Enterprise management department
Dec 15	New product research and development department
Dec 15	Environmental protection department
Dec 15	Director of purchase department
Dec 15	Purchase department
Dec 15	QC department
Dec 15	Sales department
Dec 15	Director of production department
Dec 15	Environmental protection department

5.5 Documents and Websites Reviewed

Document Name	Link (if applicable)
Dissolving Pulp Sourcing Policy	http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html
SOP	
COC form	
Annual volume summary	
Supplier commitment	
Purchase contract	
Supplier social responsibility commitment	
Country of origin certificate	
Supplier's certificate	
Invoices	
FSC CoC report	
SGS social responsibility report	
Sanyou FSC CoC Manual	
Training Record	
Material Accounting report	
Sales documents	
Patent certificate	
Environmental impact assessment report	

Appendix A: ORGANIZATION DETAILS

Organization information	
Legal name:	Tangshan Sanyou Xingda Chemical Fibre Co. Ltd
Legal jurisdiction:	China
Type of legal entity:	State owned company
Contact person (public):	Li Baikuan
Address:	No 5, Xiwang Rd, Nanbao Development Zone, Tangshang, China
Tel/FAX/email:	Phone : +86 315 8333267 Fax : +86 315 8333868 Email : libaikuan2005@sina.com
Website:	

Appendix B: EVALUATION CHECKLIST

Canopy Verification Framework and Guidelines for Viscose producers

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings:
1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The pulp sourcing policy is published on the company's website http://www.ts-sanyou.com.cn/syhx/index.htm, and interviews to senior managers confirmed they are all aware of the content of the policy.</p>
1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization presented auditors a SOP, however, the content of the SOP is for the enforcement of the FSC certification and without inputs from civil society stakeholders. The interview with the material supply department confirmed the measures they are adopting to implement the policy to purchase pulp from FSC/PEFC certified pulp mills-</p> <p>Updated findings prior to report finalization: The organization submitted the revised SOP on Sep 5, 2017, which includes who should be responsible for the implementation of the procedure, how to implement the procedure, the actions to be taken where suppliers is non-conformance is found, and the revised supplier evaluation procedure. No onsite audit to the actual implement of the revised SOP in the organization.</p>
1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The material supply department is assigned for the implementation of the policy, with support from the corporate management department.</p>

<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: There is an organizational structure for the implementation the policy. The organization has organized a training on the policy on 9 June 2017 to all staff related, verified by the interview with the supply department and review to the training record.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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: Prior to the date of the audit, the organization has notified all suppliers its commitment and pulp sourcing policy via a notification letter, 11 suppliers out of 14 confirmed the receipt of the notification letter and to work together with the organization for the compliance of their commitment. There are 3 suppliers who have not yet responded.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Starting from July 2016 (the effective date of the policy is July 2015), the requirement to implement the policy was included in the agreement/contract with 2 Chinese suppliers. For overseas suppliers, the organization sources via the Sanyou Group's trading company in Hong Kong, therefore all purchase contracts for imported pulp were between Tangshan Sanyou (Hong Kong) Trading Co. Ltd and the organization, where the requirement to implement the policy was included, and it was not included in the purchase agreement with overseas pulp suppliers.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has a supplier assessment programme, however, the pulp sourcing policy was not included as one of the assessment indicators.</p> <p>The measures adopted by the supply department for monitoring supplier conformance with the policy are 1\</p>

	<p>prioritized FSC/PEFC certified pulp 2\ require supplier to report fibre origin info 3\ require supplier to issue a statement of supporting Tangshan Sanyou's pulp sourcing policy</p> <p>Updated findings prior to report finalization: The organization updated the supplier evaluation procedure and submitted to auditors for review on Sep 5, 2017. In the procedure, the organization developed a point test system awarding suppliers who 1) have valid FSC certificates, 2) are known forest origin, 3) support the organization's commitment, 4) advocate the reducing GHG initiative, and 5) have developed conservation programmes. The supplier with the point between 6-10 is categorized as low risk supplier and prioritized sources for the organization; below 6 are non-low risk supplier.</p> <p>However, no actual supplier evaluation had been carried out by the organization adopting the point test system yet.</p>
<p>1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has a public grievance procedure, responsible by the corporate management department. The organization commits to response to any grievance within 2 hours, and provides solutions for the grievance within 24 hours.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified nonconformance and grievance received.**</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: Please refer to 1.8.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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: Please refer to the KPI and findings in the mill level (Appendices B and C).</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Please refer to the KPI and findings in the mill level</p>

(Appendices B and C).

Observation: The organization has made a commitment and policy on responsible pulp sourcing, organized training of staff on the pulp sourcing policy and assigned the supply department for the implementation of the policy-

It is the expectation of the CanopyStyle that gaps between commitment on the policy and actual sourcing policies will be addressed.

CanopyStyle requires an effective SOP for the implementation of policy and supplier monitoring systems.

1\ requirements to implement the Policy is included in the contract with domestic pulp suppliers, but not included with the overseas pulp suppliers

2\ Sourcing from non-low risk supplier was continuing in 2016

3\ no effective channel for stakeholder inputs to the sourcing policy and practices

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

Having Sanyou's suppliers sign the agreement, with clear mention of the commitment not to source from ancient and endangered forests, will be key. The requirement to implement the policy should therefore be included in the purchase agreement with all dissolving pulp suppliers, including overseas pulp suppliers.

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

Indicators

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.**

Findings:

Conformance with Indicator:

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

Description of the finding:

The organization conducted a supply chain assessment and confirmed that they had shared the supply chain info with Canopy, also had meetings with Canopy about the overall progress in policy implementation at a regular basis.

At the time of the audit, the auditor received information in addition to that which was shared with Canopy.

2.2 The assessment identifies all suppliers in the chain beginning at the forest or plantation of origin, that supply the MMCF mills.

Conformance with Indicator:

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

Description of the finding:

The organization identified all suppliers back to the pulp mill level only. For all imported pulp, the organization collected the Country of Origin Paper, but it could only prove the origin of the pulp, not wood. For domestic pulp, one supplier claimed woodchips from Australia, and another claimed wood chips from China, which were not verified by the organization.

	<p>Updated findings prior to report finalization: The organization traced the supply chain and collected additional info of forest origin from 9 suppliers after receiving the first draft report on June 30, 2017, and submitted to auditors on Sep1st 2017.</p> <p>However, except the self-declarations by suppliers, there is no other verifiable documented evidence, such as purchasing contracts, harvesting license, supplier verification audit, etc. to confirm the all pulp supplied to the organization by suppliers were from the above forest origins. The organization confirmed they had stopped sourcing from one additional supplier in Brazil since the early of 2017.</p>
<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 <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: As stated in above, the organization did not obtain sufficient information to identify all suppliers in the supply chain beginning at the forest.of origin.</p> <p>Updated findings prior to report finalization: The organization updated the supplier evaluation procedure and submitted to auditors for review on Sep 5 2017. In the procedure, the organization developed a point test system awarding suppliers who 1) have valid FSC certificates, 2) are known forest origin, 3) support the organization's commitment, 4) advocate the reducing GHG initiative, and 5) have developed conservation programmes. The supplier with the point between 6-10 is categorized as low risk supplier and prioritized sources for the organization; below 6 are non-low risk supplier. However, the organization did not implement their newly designed procedure, and the design of their system does not base the risk level of supply originating ancient and endangered sources and other controversial sourced. Since the audit was completed, the organization is taking efforts to collect information to identify the forest of origin.</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 <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: Please refer to 2.1. Supply chain information and assessment has been shared with Canopy and with the Leaders Group in China in May 2016, but not necessarily all stakeholders.</p>
<p>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress</p>

	<input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: The organization didn't publish its suppliers, but confirmed they are able to trace their viscose throughout the supply chain to clothing and textiles retailers via the QR approach. This method was tested for customers' requests but not implemented for all supply.</p> <p>The organization is FSC certified and all suppliers are with FSC/PEFC certification however these chain of custody systems are not being used to make claims to customers.</p>
<p>Observation: The organization is able to identify all suppliers at the pulp mill level. The forest origin is therefore not verified and assessed by the organization. Rainforest Alliance has provided a preliminary risk assessment based on available information within the suppliers list.</p> <p>It is an expectation of the CanopyStyle Initiative that Tangshan Sanyou collects forest of origin information including GPS points, GIS coordinates and/or shapefiles from its dissolving pulp suppliers, which will allow for an overlay with the Canopy map of Ancient and Endangered forests. Based on the information collected, Tangshan Sanyou can then share the forest origin information (ie GPS points, GIS coordinates and/or shapefiles) with Rainforest Alliance and Canopy for further desktop risk assessments to complete the requirements of the verification framework and allow for robust analysis and supply chain risk level conclusions.</p> <p>Once this follow up desktop risk assessment is complete, Tangshan Sanyou can inform its suppliers of this process and the results, and the audit evaluation can be finalized and the results posted publicly.</p> <p>Updated findings prior to report finalization: The organization traced the supply chain and collected additional info of forest origin from 9 suppliers after receiving the first draft report on June 30, 2017, and submitted auditors for reviewing on Sep1st 2017. All the forest origin info was simply self-declarations by suppliers, no map (GPS points, GIS coordinates and/or shapefiles) was provided.</p> <p>Basing on the additional info, 5 suppliers declared the forest location to the FMU level (or village level), 4 suppliers declared the forest location to provincial level; all via declaration. In 2017, the organization has used chain of custody system to make claims to customers.</p> <p>Since the audit was completed, Sanyou is taking efforts to collect information to identify and assess the forest of origin.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings:
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: The organization didn't obtain the info of the plantation/forest's established date.</p> <p>Among all suppliers, the pulp sourced from one certified supplier was verified as the FSC certified material, while for the other 12 FSC CoC certified suppliers and 1 CoC PEFC certified supplier there was no certified code/claim on the purchase documents to prove the pulp was FSC/PEFC certified material. Even with a code and/or claim, the claim would be from a CoC operation that may make use of Controlled Wood, which is a risk based standard and does not confirm conversion dates.</p>

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

Indicators	Findings:
<p>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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has adopted the clear definition of “ancient & endangered forests”, “intact forest”, “natural forest”, “endangered species”, “controversial sources”, in their policies and notification letters to suppliers.</p>
<p>4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Leaders Group.**</p>	<p>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: As stated in 2.2, the organization didn’t obtain sufficient information to identify the forest origin.</p> <p>The Rainforest Alliance conducted a risk assessment to all suppliers based on the public information on FSC website and supplier’s sustainability reports, and found out pulp from some suppliers could be regarded non-controversial sources because of their FSC certification scope. However, some of these company’s sourcing areas are in proximity to ancient and endangered forests.</p> <p>Updated findings prior to report finalization: The organization collected additional information for forest origin from suppliers in the form of declarations. Additional evidence, such as purchasing contracts, harvesting licenses etc. to confirm all the pulp supplied to the organization by suppliers were from the above forest origins, must be provided in subsequent audits.</p> <p>Since the audit was completed, Sanyou is taking efforts to collect information to identify and assess the forest of origin.</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 type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input checked="" type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization wasn’t able to identify some of the forest origin and whether from A&E Forests or controversial sources. Since the audit was completed, Sanyou is taking efforts to collect information to identify and assess the forest of origin.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

<p>noncompliance, with local, national or international laws.**</p>	<p><input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization is FSC CoC certified and conducted a social responsibility evaluation by SGS in 2016. The FSC certification report and SGS social responsibility report confirmed the organization complies with the law and regulation.</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: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization did not collect sufficient information to verify the forest origin.</p> <p>Rainforest Alliance conducted a risk assessment to all suppliers based on the information provided by the organization and the supplier's publicly available information on FSC website, PEFC website and their official website, and found out several supplier's fibre could be verified as non-controversial source, but many of the supply areas were in proximity to ancient and endangered forests.</p> <p>Updated findings prior to report finalization: The organization collected additional info of forest origin from 9 suppliers, and confirmed they had stopped purchasing from one additional supplier from Brazil because of the risk of sourcing from ancient and endangered forests or controversial sources.</p>
<p>Observation: The organization did not collect sufficient information to verify the forest origin and therefore whether the materials being sourced are from ancient and endangered forests or other controversial sources</p> <p>Based on our initial review, we recommend that Sanyou further request information of their suppliers, such as forest of origin (see recommendations above), plantation dates and FSC FM and FSC CoC certificates.</p> <p>Sanyou, based on the information collected, should share the forest origin information (ie GPS points, GIS coordinates and/or shapefiles) with Rainforest Alliance and Canopy for further desktop risk assessments to complete the requirements of the verification framework and allow for robust analysis and supply chain risk level conclusions.</p> <p>In the case that information on the forest of origin cannot confirm a low risk rating or in the case that forest of origin information is not being shared by the dissolving pulp supplier, Tangshan Sanyou will need to take further actions. These actions may include providing additional documentation that verifies full compliance with CanopyStyle policy expectations, and/or exclusion of further sourcing from this/these supplier(s), and/or additional assessment of the dissolving pulp supplier at their corporate office, mills and /or forest harvesting sites.</p> <p>As mentioned in the CanopyStyle audit framework, and based on the current risk level, ongoing regular audits, and /or random site visits, will be essential to ensure that Sanyou continues to implement their policy and meet the expectations of the CanopyStyle Initiative.</p> <p>In future, Sanyou should consider sharing such forest of origin information and certification information to its customers to help track and trace the fibre assessed as low risk of sourcing from ancient and endangered forests and other controversial sources.</p> <p>Updated findings prior to report finalization: The organization collected additional info of forest origin from 9 suppliers</p>	

and shared with the Rainforest Alliance on 1 September 2017.

Since the audit was completed Sanyou is taking efforts to collect information to identify and assess the forest of origin.

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:
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</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>Please refer to 2.2</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where nonconformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organization has shared their pulp policies to all suppliers and 11 suppliers confirmed to support for the compliance of the policy.</p> <p>In the interview with the vice-president of the organization, the auditor learned the organization would alert any supplier where non-conformance is found, then discuss with the supplier for solutions, if no improvement/progress is made by the supplier, the organization would consider terminating sourcing from the supplier.</p> <p>Updated findings prior to report finalization: The organization had stopped purchasing from a supplier from Brazil because of the risk of sourcing from endangered and ancient forests or controversial sources.</p> <p>And, in the revised SOP, there is a procedure to withdraw from purchase where non-conformance is found.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where nonconformance has been found.**</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>At the time of the audit, there had been no withdrawal from purchasing because of non-conformance to the pulp policy.</p>

Observation: At the time of the audit, the organization is only able to identify suppliers at the pulp mill level. Sufficient

evidence of the forest origin is not collected or verified by the organization.

Updated findings prior to report finalization: The organization collected additional info of forest origin from 9 suppliers and shared with the Rainforest Alliance on 1 September 2017. In the revised SOP, there is a procedure of withdrawal from purchase where non-conformance is found.

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

Indicators	Findings:
6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The interview with the vice-president of the organization, confirmed the organization has welcomed Canopy and the leader group to participate the 3rd party verification.</p>

7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies

Indicators	Findings:
7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization is FSC CoC certified, and prioritizes supply from FSC certified companies. The organization also has developed a corporate social responsibility commitment letter and requires all suppliers to acknowledge the commitments. In the commitment letter, FPIC of indigenous people and local communities was listed as one of the commitments.</p> <p>To date, two Chinese pulp suppliers have signed the commitments. However, this requirement is still in progress for other non-domestic suppliers.</p> <p>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"). A majority of the pulp sourced is mixed at the pulp manufacturing level of the supply chain. Therefore, FSC or PEFC certification alone would not demonstrate full conformance and this indicator is marked as "commitment in progress."</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>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</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: The organization is FSC CoC certified and prefers sourcing materials from FSC certified companies. 13 out of the 14 suppliers hold FSC certification, and the remaining supplier holds PEFC certification. This is documented within the supplier list. The producer however is simply noting the suppliers' active certifications and is not sourcing materials with certified claims from these suppliers.
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: <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: Suppliers that hold FSC or PEFC certification are mostly required to have a complaints mechanism (FSC COC does not require this but will for all certificate holders by March 2018), and fall subject to the CB and Certification Standard owner's complaints mechanisms that exist. However, these requirements are for their FSC certified scope and products only. The organization is sourcing only 7% of materials with certified claims, but is ensuring that all suppliers hold certification (13 FSC and 1 PEFC).
7.4 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The FSC and PEFC systems have requirements related to the ILO Declaration. These are audited directly within the FM standard, and within FSC COC, companies declare strong commitments to not violate any of the ILO Core Conventions defined in the Declaration. Therefore, the organization's procedure to ensure suppliers meet this indicator is to preference certified suppliers.
7.5 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**	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 organization holds an active FSC certificate and conducted a social responsibility evaluation by SGS in 2016. The FSC certification report and SGS social responsibility report confirmed there were no nonconformities raised related to issues with social conflicts or human rights. Although there were NCRs on work's safety and wage, which was corrected by the

	organization and closed by Nov 2016.
<p>Observation: The organization mainly relies on the FSC/PEFC certification for the compliance of the indicators. 13 suppliers out of the total 14 suppliers are FSC CoC certified, of which the FSC certification is in most cases sufficient for the compliance of indicators 7.1 -7.5. The one PEFC certified supplier could not demonstrate its compliance with 7.1 and 7.2.</p> <p>If a supplier is not FSC certified or FSC controlled wood verified and the country has not ratified the ILO or UN convention, then an evaluation by Sanyou (or a third party retained by Sanyou would be best practice on human and community rights).</p>	

8. Development of Innovative and Alternative Fiber

Indicators	Findings:
8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has been investing on the research of alternative fibre since 2006. The organization received two patents on bamboo viscose development and production in China in 2008 and 2016, and the auditor checked the patent certificates. The organization's bamboo viscose production had entered into a commercial scale phase. The production yield of viscose from bamboo pulp is 18,000 t/year. The bamboo viscose is about 3.6%of total output. The organization named their bamboo viscose as "bamdal", and the bamboo pulp supplier is also a FSC-certified Chinese bamboo producer. The interview to the director of new product research and development department confirmed the organization planned to continue on the progressively improvement and increasing on the utilization of bamboo for viscose---</p> <p>This indicator is being graded as commitment met due to the efforts achieved during the audit period under assessment. The organization is encouraged to continue and further their efforts currently and in the future. This indicator will be evaluated at each audit.</p>
8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The same as above 8.1.</p>

Observation: The organization demonstrates a strong interest to sourcing alternative fibers, most particularly FSC-certified bamboo. Sanyou is encouraged to also conduct further research into the use of recycled clothing and agricultural residues.

9. Advocacy for conservation solutions

Indicators	Findings:
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>

<p>ancient and endangered forests.**</p>	<p><input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization joined and supported the Canopy initiative and committed to protect the ancient and endangered forests. The organization has participated the events held by Canopy. The organization has made efforts on tracking their material sourcing and training on the wood pulp sourcing policy. Sanyou is a founding member of the CV. It is encouraged, however, to take additional efforts to promote the protection of Ancient and Endangered Forests.</p>
<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization prefers sourcing from certified suppliers in order to positively impact conservation and development solutions at the forest level.</p> <p>The organization has also undertaken efforts to positively impact the welfare of the local communities of their mill. The director of the enterprise management department told the auditor that they have built roads, sports facilities and planted trees for the local communities. Besides, public welfare activities for local communities such as haircutting and cleaning held by the organization regularly.</p>
<p>9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization hasn't participated in or supported any programs stated in this indicator.</p>

<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization hasn't developed and implemented any programs stated in this indicator.</p> <p>Updated findings prior to report finalization: Sanyou, as one of the initiator, joined in the CV together with other members to improve sustainability. It remains unclear whether the CV roadmap will align with the CanopyStyle Initiative to protect Ancient and Endangered Forests, or with the requirements of this indicator.</p>
<p>Observation: The organization didn't develop or implement any conservation related programs and researches as required by 9.3 and 9.4</p> <p>The intent of this commitment is for Sanyou to advocate for conservation solutions regardless of whether or the company is directly engaged in forest management. Advocacy can be in conjunction with suppliers, decision makers or NGOs, or stakeholders in the areas where the company is sourcing supply. When prompted, dedicate resources to help advance the conservation of specific areas. This can be done via attending roundtables, webinars, letters of support, calls to decision makers, forest tours, etc.</p>	

10. Responsible forest management	
Indicators	Findings:
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: In the pulp sourcing policy, the organization gives a preference for FSC certification, During the audit there was no concrete action plan to increase FSC intake.</p> <p>Updated findings prior to report finalization: After the audit and prior to finalization of this report, the organization noted the addition of one new FSC-certified supplier-</p>
<p>Observation: The organization gives a preference for FSC certification. Also, the organization only sources 7% of material with certification claims from one supplier, the remaining 93% is from CoC certified organizations, but holds no claim.</p> <p>The company should promote FSC certification, and as committed, seek it for those sources that are not yet FSC third party certified. The company should set targets to increase the amount of fiber from FSC certified forests over time, with a focus on FSC 100%.</p>	

11. Reduction of Greenhouse Gas (GHG) Footprint by Recognizing the importance of forests and peatlands as carbon storehouses	
Indicators	Findings:
<p>11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

<p>reducing GHG.</p>	<p><input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization doesn't have a procedure to evaluate supplier's performance in reducing GHG. The auditor conducted a risk assessment to all suppliers, and found out some suppliers had made public commitment to reduce GHG and included their measures and progress on their website or CSR reports.</p> <p>Updated findings prior to report finalization: In the revised supplier evaluation procedure, whether the supplier supporting of reducing GHG is one of the indicator to assess supplier's performance.</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, withdraw from and restore peatlands and their hydrology.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization didn't commit or document to give preference for suppliers adopting management measures to protect forest, peatlands, etc, and does not exclude pulp from tropic forests. However, the organization only purchased pulp from FSC or PEFC CoC certified suppliers and will prioritise to source pulp from certified companies, which is confirmed by the interview to the staff with the supply department.</p> <p>Updated findings prior to report finalization: The organization updated the supplier evaluation procedure and gave preference to suppliers who support reducing GHG initiatives.</p> <p>Implementation will be verified onsite during the next audit.</p>
<p>Observation: The organization doesn't have a procedure to evaluate supplier's performance in reducing GHG. The organization didn't commit or document to give preference for suppliers adopting manager measures to protect forest, peatlands, etc.</p> <p>Updated findings prior to report finalization: The organization updated the supplier evaluation programme, included the performance in reducing GHG as one of the evaluation indicator.</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: <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>

Observation: Tanshan Sanyou has invested 0.69 billion RMB on pollution prevention. The auditor reviewed the EIR of Tangshan Sanyou that 0.17 billion on Sanyou Xingda and 0.52 on Sanyou Yuanda. From the on-site inspection of the two factories, wastewater treatment plants were built. Besides CS2 recycle equipment and waste gas treatment equipment were built. When visiting the power house, the noise barriers could be found and the noise is dealt well.

** Indicates Critical Indicators

Appendix C: EVALUATION CHECKLIST

Canopy Verification Framework and Guidelines for Viscose producers Annex 3

Xingda Mill

1. Publicly communicating and implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings:
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has posted their wood pulp sourcing policy on the website. The top managers interviewed by the auditors knew the content of the policy and they demonstrated a commitment to implement it. The director of the production department told the auditors that they knew the policy but could not describe the detail content of the policy. The purchase department that implements the policy told the auditor that they have sent the policy to each department via the company's intranet system. Communicating and implementing the policy is in process in the production department because the workers usually work in shifts.</p>
1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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: From the interviews with relevant staff, the auditor knew that the purchase department is responsible for implementing the policy at this site and takes overall responsible for implementing and coordination. However, this is not yet documented.</p>
<p>Observation: After the audit, but prior to report finalization, Sanyou informed the auditor that a revised procurement policy has been released and implemented, This will have to be verified in future audits in order to ensure compliance.</p> <p>The company's efforts towards sourcing FSC certified are important and should be recognized. Additional implementation measures are needed to meet all of the commitments within the policy with regards to not sourcing from ancient and endangered forests. Taking actions to increase supply from FSC certified forests is recommended. However, in areas with non-low risk rating of sourcing from Ancient and Endangered Forests, controversial sources or other areas of policy commitments, certification may be limited in scope and not sufficient or consistent with the expectations of the CanopyStyle initiative.</p>	
2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings:
2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>

	<p> <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The purchase department of Sanyou Xingda is responsible for supplier verification and purchase. The purchase department kept all the purchase documents include purchase contract, purchase invoice, sales contract, sales invoice and certificate of origin. The accounting department kept all the sales and purchase invoice. The sales department kept all the sales contact and delivery bill. The auditor sampled the sale contracts #SYNJ-16070591 and SYNJ-16050373. The inputs involved at least 6 kinds of pulp. The organization provided all the purchase and sales documents related. The organization kept the documents stated above.</p> <p>The pulp purchased by the organization comes from 14 suppliers, The auditor sampled the certificate of origin of the pulp manufacturing facilities.</p> <p>The organization purchase bamboo pulp and the bamboo is identified from Sichuan Province China, The source has been confirmed but records of origin have not been maintained.,</p> <p>In summary, the organization is collecting certificates of origin for where the pulp is manufactured, and they are not collecting information on the origin of the forest the pulp materials were sourced from. The organization is in the process of identifying the forest of origin of the wood chips that made the dissolving pulp they purchased, but has to date only collected declarations from suppliers, and has not yet collected sufficient verifiable information on origin.</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding: The auditor reviewed the bill of landing, packing list, certificate of country origin and customs declaration sampled above. The delivery bill all kept.</p> <p>The pulp purchased by the organization comes from 14 suppliers. The auditor sampled the certificate of origin of the pulp manufacturing facilities.</p> <p>The organization purchase bamboo pulp and the bamboo is identified from Sichuan Province China.The source has been confirmed but records of origin have not been maintained.</p> <p>In summary, the organization is collecting certificates of origin for where the pulp is manufactured, and they are not collecting information on the origin of the forest the pulp materials were sourced from. The organization is in the process of identifying the forest of origin of the wood chips that made the dissolving pulp they purchased, but</p>

	<p>has to date only collected declarations from suppliers, and has not yet collected sufficient verifiable information on origin.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization only purchases FSC certified pulp with claims from one FSC certified supplier (7%). The other 93% is sourced from certified companies, but with no certification claims being made.</p> <p>Findings specific for materials sourced with certification claims: Before the Sanyou Group has gotten FSC certification, the organization purchased pulp from Tangshan Sanyou Group Hong Kong International Trading Co., Limited, so the purchase invoice from the trading company did not contain the FSC claim and supplier code. The organization also kept the purchase invoice that one supplier sent to the Sanyou trading company that could prove the pulp is FSC certified. The packing list the organization received is directly from the supplier and it contains the supplier FSC code and claim. The FSC claim is FSC Mix Credit.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has a template of annual volume summaries kept by the sales and purchase department. The auditor reviewed the annual volume summary of material (kept by purchase department) and products (kept by sales department). The template includes inputs received, inputs used for production, inputs still in stock, outputs still in stock.</p>
<p>2.10 All suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: As stated in Appendix A, the organization knows the location where the pulp was manufactured, but the forest/plantation is not clearly known. The origin of the pulp manufacturing is included in the organization's outgoing transportation documents.</p> <p>Although the organization is FSC certified and the input material is sometimes FSC certified mixed, it contains non-certified material. The organization also uses non-certified material to produce non-certified products. The</p>

related documents did not include any certification status.

Observation: The organization kept most of the certificate of country origin (dissolving pulp manufacturing location). The organization is trying to identify the forest of origin of the wood chips that made the dissolving pulp they purchased, but did not provide evidence of forest of origin at the time of the audit. After the audit and prior to report finalization, the organization contacted suppliers to gain more information via a declaration form.

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

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

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

Indicators	Findings:
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of noncompliance, 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: Interviews with the site directors including the environmental protection department, purchase department and sale department directors, revealed that they are aware of relevant national and international laws. The purchase and sales department directors told the auditor that they obey the customs laws of PRC when involved in exporting and importing. Taxes were paid on time. The environmental protection department director told the auditor that local quality supervision department and environmental protection bureau will conduct on-site inspection monthly. The emission indexes are also monitored in real time to prevent over emission. The auditors reviewed the records of dispute and illegal activities. There is no dispute and no illegal activities documented.</p>
<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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The directors and staff interviewed all explained their understandings on ancient and endangered forests and controversial sources. The essential meaning of the definitions could be identified. The procurement is not the responsibility of the mill.</p> <p>Full implementation of the indicator is in progress.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p>

controversial forests in their wood supply areas.	<input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The procurement is not the responsibility of the mill.
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: The procurement is not the responsibility of the mill.
Observation: See recommendations from the desktop audit for Sanyou.	

5. Actions if suppliers contravene criteria	
Indicators	Findings:
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying nonconformances to the CanopyStyle policy and sanctions to suppliers in such cases where nonconformances 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: The purchase department organization is responsible for supplier monitoring

Appendix D: EVALUATION CHECKLIST

Canopy Verification Framework and Guidelines for Viscose producers Annex 3

Yuanda Mill

1. Publicly communicating and implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings:
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Sanyou wood pulp sourcing policy is on their website. The top managers interviewed by the auditors knew the content of the policy and they demonstrated a similar commitment to implement it. The director of production department of Yuanda told the auditor that they knew the policy, but could not describe the detail content of the policy. The purchase department of Xingda has sent the policy to each department via the company's intranet system. The purchase department told the auditor that the two factories share a similar situation in which workers of production department usually work in shifts and therefore the policy promoting is in process for the production department and will take some time.</p>
1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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: From the interviews with relevant staff, the auditor knew that the purchase department is responsible for implementing the policy at this site and takes overall responsible for implementing and coordination. However, this is not yet documented.</p>
<p>Observation: After the audit, but prior to report finalization, Sanyou informed the auditor that a revised procurement policy has been released and implemented. This will have to be verified in future audits in order to ensure compliance.</p> <p>The company's efforts towards sourcing FSC certified are important and should be recognized. Additional implementation measures are needed to meet all of the commitments within the policy with regards to not sourcing from ancient and endangered forests. Taking actions to increase supply from FSC certified forests is recommended. However, in areas with non-low risk rating of sourcing from ancient and endangered forests, controversial sources or other areas of policy commitments, certification may be limited in scope and not sufficient or consistent with the expectations of the CanopyStyle initiative.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings:
2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>

origin.

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

Description of the finding:

Xingda and Yuanda share the same management. All the documents were reviewed at Xingda. The purchase department of Sanyou Xingda is responsible for supplier verification and purchase. The purchase department kept all the purchase documents including purchase contracts, purchase invoices, sales contracts, sales invoices and certificate of origin. The accounting department kept all the sales and purchase invoices. The sales department kept all the sales contact and delivery bill. The auditor sampled the sale contracts #SYNJ-16110850, SYNJ-16110825 and SYNJ-16090774. The inputs involved at least 6 kinds of pulp. The organization provided all the related purchase and sales documents. The organization kept the documents stated above.

The pulp purchased by the organization comes from 14 suppliers. The auditor sampled the certificate of origin of the pulp manufacturing facilities.

The organization purchase bamboo pulp and the bamboo is identified from Sichuan Province China. The source has been confirmed but records of origin have not been maintained.

The organization is trying to identify the forest of origin of the wood chips that made the dissolving pulp they purchased, but have gotten results yet.

In summary, the organization is collecting certificates of origin for where the pulp is manufactured, and they are not collecting information on the origin of the forest the pulp materials were sourced from. The organization is in the process of identifying the forest of origin of the wood chips that made the dissolving pulp they purchased, but has to date only collected declarations from suppliers, and has not yet collected sufficient verifiable information on origin.

2.7 The mill/production site maintains all delivery documentation received with the wood fiber inputs. Such documentation includes an identification of the forest of origin.

Conformance with Indicator:

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

Description of the finding:

The auditor reviewed the bill of landing, packing list, certificate of country origin and customs declaration sampled above. The delivery bills were all kept.

The pulp purchased by the organization comes from 14 suppliers. The auditor sampled the certificate of origin of the pulp manufacturing facilities.

The organization purchase bamboo pulp and the bamboo is identified from Sichuan Province China. The source has

	<p>been confirmed but records of origin have not been maintained.</p> <p>In summary, the organization is collecting certificates of origin for where the pulp is manufactured, and they are not collecting information on the origin of the forest the pulp materials were sourced from. The organization is in the process of identifying the forest of origin of the wood chips that made the dissolving pulp they purchased, but has to date only collected declarations from suppliers, and has not yet collected sufficient verifiable information on origin.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organization only purchases FSC certified pulp with claims from on FSC certified supplier (7%). The other 93% is sourced from certified companies, but with no certification claims being made.</p> <p>Findings specific for materials sourced with certification claims: Before the Sanyou Group has gotten FSC certification, the organization purchased pulp from Tangshan Sanyou Group Hong Kong International Trading Co., Limited, so the purchase invoice from the trading company did not contain the FSC claim and supplier code. The organization also kept the purchase invoice that on supplier sent to the Sanyou trading company that could prove the pulp is FSC certified. The packing list the organization received is directly from the supplier and it contains the supplier FSC code and claim. FSC claim is FSC Mix Credit.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input 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 organization has a template of annual volume summaries kept by the sales and purchase department of Xingda. The auditor reviewed the annual volume summary of material (kept by purchase department) and products (kept by sales department). The template includes inputs received, inputs used for production, inputs still in stock, outputs still in stock.</p>
<p>2.10 All suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p>

	<p>As stated in Appendix A, the organization knows the location where the pulp was manufactured, but the forest/plantation is not clearly known. The origin of the pulp manufacturing is included in the organization's outgoing transportation documents.</p> <p>Although the organization is FSC certified, and the input material is FSC certified mixed it contains non-certified material. The organization also uses non-certified material to produce non-certified products. The related documents did not include any certification status.</p>
<p>Observation: The organization kept most of the certificate of country origin (dissolving pulp manufacturing location). The organization kept most of the certificate of country origin (dissolving pulp manufacturing location). The organization is trying to identify the forest of origin of the wood chips that made the dissolving pulp they purchased, but did not provide evidence of forest of origin at the time of the audit. After the audit and prior to report finalization, the organization contacted suppliers to gain more information via a declaration form.</p> <p>It is recommended that the Sanyou corporate office or Yuanda Mill request and collect GPS points, GIS coordinates and/or shapefiles from its suppliers of all the dissolving pulp supply areas, to identify the forests of origin, which can then be overlaid with the Canopy map of Ancient and Endangered forests. Yuanda Mill should be made aware of this process and the results, such that forest origin information and certification information can be passed along to its customers.</p>	

4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.	
Indicators	Findings:
<p>4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of noncompliance, 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 disputes and illegal activities record of Yuanda was kept by Xingda. The auditor reviewed the dispute and illegal activities record at Xingda and no dispute and illegal activities have occurred.</p> <p>Interview with the site directors including the environmental protection department, purchase department and sale department directors, revealed that they are aware of relevant national and international laws. The purchase and sales department directors told the auditor that they obey the customs laws of PRC when involved in exporting and importing. Taxes were paid on time.</p> <p>The environmental protection department director of Yuanda told the auditor that environmental protection bureau will conduct on-site monitoring regularly to check whether the emission index exceeded the allowance or not. The emission indexes are also monitored in real time to prevent over emission. If the index sent to the environmental protection bureau is exceeded, the organization will be fined.</p>
<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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>

	<p>Description of the finding: The management level of Yuanda all explained their understandings on Ancient and Endangered forests and controversial sources. The directors of production department and environmental protection department also told the auditor that essential meaning of the definitions of Ancient and Endanger forests and controversial sources. Full implementation of the indicator is in progress.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The procurement is not the responsibility of the mill.</p>
<p>4.7 The sourcing from regions that contain ancient and endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The procurement is not the responsibility of the mill.</p>
<p>Observation: See recommendations from the desktop audit for Sanyou.</p>	

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 nonconformances to the CanopyStyle policy and sanctions to suppliers in such cases where nonconformances are identified.</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Yuanda has no supplier selection responsibilities.</p>
<p>Observation: The organization is corporate owned mill with no supplier selection responsibilities. The organization just give the volume of the organization demand to the purchase department of Xingda and the purchase department purchased the pulp from the suppliers that they have chosen. Therefore, this indicator is not applicable.</p>	