



CanopyStyle Audit Report for Formosa Chemical & Fibre Corporation

Assessment 2019

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Organisation Contact

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INTRODUCTION

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

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

The audit presents the findings of NEPCon auditors who have evaluated company systems and performance against the applicable standard(s). The public version excludes confidential and sensitive information that did not does not affect the formal results of the audit. Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy’s map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk.

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

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

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

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

1. GENERAL DESCRIPTION

1.1 Organization overview

Formosa Chemicals & Fibre Corporation (here after “organization”) was established in March 1965. The organization utilized hardwood to produce rayon staple fibre with initial production of 15,000 metric tons per year. There were 40,000 spindles of spinning machine and 510 sets of knitting machines. It was an integrated process plant. In 1974, a nylon plant was established and the product capacity of nylon filament and rayon staple have increased over time.

Nowadays, organization includes the 1st, 2nd, 3rd Petrochemicals Division, Plastics Division, Textiles Division, Rayon Division, Nylon Division and Engineering Division. As part of the Sixth Naphtha Cracking Project and for the continuing growth of the organization, the organization stepped into the field of manufacturing petrochemicals.

The major business of organization now includes the sales and production of the integrated products from rayon and nylon and those of PTA, PS resin and ABS/ SAN resins. Environment protection has always been a key company concern. Since the organization was established in 1965, has been invested on 976 cases of environmental mitigation measures. The total amount of investment will add up to NT\$ 14,296,000 thousand on environment protection.

1.2 Organization scope (sites, locations, etc)

Organization’s headquarters is an office with centralized sourcing and sales function located in No. 201, Tung-Hwa N. RD., Taipei City, TAIWAN. The factory of the organization is located in 2, Lung Shiang 10 Road, Dongshan Hsiang, Ilan-Hsien 269, Taiwan. The organization has 282 staff in total.

1.3 Organization sourcing policy

Organization’s sourcing policy was signed by the Assistant Vice President on 27th May 2019 that was published via (<http://www.fcfc.com.tw/Rayon/tw/pdf/>). The content of the policy is included as below:

FORMOSA CHEMICALS & FIBRE CORPORATION (FCFC) is committed to playing a leadership role in the dissolving pulp & cellulosic fibre industry and will work with our wood fibre suppliers and Canopy in order to promote sustainable forest management and the protection of ancient and endangered forests.

FCFC supports the production of cellulosic fibres & fabrics from wood fibre that is not sourced in ancient and endangered forests, such as Indonesia’s tropical forest and Canada’s Boreal Forest, unless meaningful conservation plans and FSC certification are in place.

The following principles apply to all man-made cellulosic fibres, fabrics and textiles, including but not limited to rayon, viscose, lyocell, modal and trademarked product lines produced by our company. This commitment addresses our own operations as well as our procurement practices. This policy supports principles that result in long-term environmental, social and economic benefits.

Scope of Commitment

All of our operations, including companies we control, manage and/or have an investment in – will be in compliance with this policy.

We will source our raw material only through suppliers that are transparent, traceable and comply with this policy.

If suppliers contravene these criteria, we will first engage them to change practices and then re-evaluate our relationship with them if we find that fibre is coming from sources that do not meet this policy.

Conservation of Ancient & Endangered Forests and Intact Forest Landscapes:
FCFC supports a future that does not use ancient and endangered forest for dissolving pulp to make cellulosic fibres. We will, therefore:

- Assess our existing use of wood pulp and fibre and ensure that we are not sourcing fibres made from ancient and endangered forests areas such as the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, the Amazon and West Africa, or endangered species habitat.
- Work with our fibre suppliers to phase out and find suitable alternatives to any fibre sourced from these regions.
- Eliminate sourcing fibre from other controversial sources including companies that are logging forests illegally and from tree plantations established after 1994 through the conversion or simplification of natural forests.

Recognizing, respecting and upholding human rights and the rights of communities

We will request that our suppliers respect the Universal Declaration of Human Rights and acknowledge indigenous and rural communities legal, customary or user rights to their territories, land, and resources. To do so, we require that our suppliers acknowledge the right of Indigenous People and rural communities to give or withhold their Free, Prior and Informed Consent (FPIC) before new logging rights are allocated or tree plantations are developed, resolve complaints and conflicts, and remediate prior human rights violations through a transparent and accountable grievance mechanism and mutually agreeable dispute resolution process.

Innovative and Alternative Fibre Development

We will collaborate with Canopy, innovative companies and suppliers to explore and encourage the development of fibre sources that reduce environmental and social impacts. Where appropriate, we will play an active role in the research and development and eventual adoption of commercial scale production of pulp and cellulosic fibre made from alternative fibre sources such as agricultural residues and recycled fibres.

Advocacy for Conservation Solutions

Working with Canopy we will support collaborative and visionary system solutions that protect remaining ancient and endangered forests such as the Coastal Temperate Rainforests of Vancouver Island and Great Bear Rainforest, Canada's Boreal Forests, and Indonesia's Rainforests.

Forest Certification

We will preference fibre sourced from forests that are responsibly managed forests, certified to the Forest Stewardship Council (FSC) certification system. FSC certified plantations are part of the solution.

Transparency, Traceability and Verification

We will ensure the transparency & traceability of our own operations and supply chains by 2019, and will identify the origin of our raw material sourcing, including pulp and plantations/wood fibre, through mapping our entire supply chain (chain of custody) back to the mills, plantations, and forest areas. We will work with stakeholders to develop third party verification systems of our operations and supply chain and be verified low risk of sourcing from ancient & endangered forest by 2020.

Reduction of Greenhouse Gas Footprint

Recognizing the importance of forests and peatlands as carbon storehouses, we will support initiatives that advance forest conservation to reduce the loss of high carbon value forests, by encouraging vendors and suppliers to avoid harvest in these areas, and by giving preference to those that use effective strategies to actively reduce their greenhouse gas footprint.

Pollution Prevention

Pulp and viscose manufacturing is a resource-intensive process that can lead to air and water emissions that impact overall environmental quality. This policy does not address these other critical environmental issues, however, we will invest in and use the cleanest dissolving pulp and viscose manufacturing technology.

Communication

We recognize the benefit of creating environmental awareness among our customers, employees and peers. As such, we will highlight our environmental efforts on our website and in public communications.

2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	Dissolving pulp from 3 suppliers and after the organization signed wood timber sourcing policy.	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No Comments: Ancient and Endangered Forests map overlays were not completed.
Mill Capacity:	80,300 ton/year	
Primary Activity:	Viscose production	
Outsourcing:	<input type="checkbox"/> FSC-certified subcontractors	<input type="checkbox"/> Non-certified subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 176	Permanent female: 16
	Contract male: 90	Contract female: 0
	TOTAL: 282	

Sites included in evaluation	Location
Formosa Chemical & Fibre Corporation	Yilan County, Taiwan

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Huang Rui	Huang Rui, Master of Forestry, has 7 years' experience in forest survey and sustainable forestry includes 2 years academic work. Huang Rui is working for NEPCon (Beijing) Technical Promotion Co., Ltd as forestry certification specialist who oversees East Asia forestry certification in NEPCon. Before that he worked at China Standard Conformity Assessment Co., Ltd as Forest certification and Fair Wild Program manager of the International Cooperation Department and he also had been a sustainable development department commissioner of APP (China) Forestry. He has attended the auditor training of CFCC, FSC and ISO9000. He is qualified as FSC FM and FSC CoC lead auditor and has participated more than 100 FSC CoC audits and more than 20 FM audits in China mainland, Taiwan, HK, Vietnam and Thailand etc.

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Formosa Chemical &Fibre Corporation	1 st Oct 2019	0.5 hrs opening meeting 4 hours interview and documents review 2 hours on-site inspection 0.5 closing meeting

3.3 Description of Overall Audit Process

An opening meeting for the assessment was hosted at the organization's office on 1st Oct 2019. At the beginning of the meeting, auditor and organization introduced themselves. After that the organization's representative gave a brief introduction of the operational activities. In addition, the audit scope and the certification schedule were confirmed. No questions were raised during the opening meeting.

After the opening meeting, the auditor started the audit process of the organization. The auditor reviewed all necessary documents (Documented Control System (DCS), Supplier list, timber sourcing policy, training records, etc.)..

The auditor toured the factory, warehouse and interviewed workers.

The auditor conducted the closing meeting and recapped the audit plan and presented the overall findings and preliminary results to the organization.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

The organization has made a commitment and policy on responsible sourcing, organized training to staff and assigned the supply department for the implementation of the policy. It is the expectation of CanopyStyle that any gaps between the policy commitments and actual sourcing policies will be addressed. The forest sourcing policy and related training is to be implemented openly to ensure all staff and workers are clear with the policy.

After organization signed the forest sourcing policy, organization reduced its sources to 3 FSC certified suppliers. Formosa is listing their suppliers transparently on its website, together with their assessment of risk, FSC certificate number, and other relevant information. (<http://www.fcfc.com.tw/Rayon/en/pdf/Sourcing%20Information.pdf>).

These suppliers are Rayonier (Temiscaming, Canada), Sappi (Saiccor, South Africa) and Celltech, (Torrelavega, Spain).

The organization has identified suppliers' information at the pulp mill level. The forest origin information is collected from the pulp mill, but is not verified by the organization. Organization has established a good traceability system based on the FSC-STD-40-004 V3-0 standard, which is a key method to control risk.

Organization is clear with the definition of "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. Illegal activities have also been controlled and avoided by organization. The organization identified all suppliers back to the pulp mill level. Sufficient documented procedure has been established for organization to identify the non-conformance and manage the suppliers. Although organization purchased FSC certified pulp and suppliers all declared their wood chips or round wood country of origin, organization does not collect the timber's country of origin and did not verify the information they have collected.

Organization uses FSC certification as a tool to control and migrate risk. Though material sourced are FSC certified, organization is not collecting the harvested area information (such as HCV, HCS and etc) and management plan.

There are no current procedures in place to ensure the implementation of the requirement for recognition and respect of human rights, worker's rights, ILO declaration, and FPIC rights for community at the supplier's level. All suppliers of the organization are FSC certified and supplying FSC certified material. Organization sources FSC Mix material that means FSC controlled wood was included. FSC forest management standards include requirements for recognizing and respecting these rights, however FSC Controlled Wood standards on human rights are limited to traditional and civil rights where Canopy's commitment to recognize and respect human rights are more broad.

Organization commits to advocate for conservation solutions regardless of whether 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. Dedicated resources would be available 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.

GHG reduction has not been implemented in the whole supply chain. Organization has committed to source FSC certified material and follow the commitment.

The organization has invested funds into pollution control systems at the mill. The investment in pollution control is around 200-250 million TWD that also keep updated when applicable. Wastewater emission real time monitoring data is also public and upload to local environmental protection department.

4.2 Summary of findings

Rating	Color
Not Applicable	Grey
Commitment Met	Green
Commitment in Progress	Yellow
Commitment Not Met	Red
Insufficient Information Available	Grey

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy **	Green
	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. **	Yellow
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	Green
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	Green
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	Green
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	Green
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	Yellow
	1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders	Yellow
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	Green
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	Yellow
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	Green
2. The MMCF producer only sources raw material from suppliers that are	2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with	Green

transparent, traceable and are in conformance with the policy	Leaders Group. This assessment will be updated every year and shared with the Leaders Group. **	
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	
	2.3 A risk assessment has been done with the information and shared with Leaders Group.	
	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.	
	2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", "high conservation value", "high carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	
	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. **	
	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. **	
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	
6. The MMCF producer welcomes interested stakeholders and Leaders	6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report	

Group observers to verify the implementation.	observations during this verification process. **	
	6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	
	6.4 The MMCF producer has developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	
	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. **	
	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.	
	7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers	
	7.5 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.	
	7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social	

	impacts, such as agricultural residues and recycled fibers. **	
	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.	
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	
	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. **	
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.	
	11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forested peatland at the concession and landscape level (peat dome) and that have identified, withdrawn from and restored peatlands and their hydrology. **	
12. Pollution Prevention	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.	

4.3 Volume Summaries

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	0	0

Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	0
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	55,981 MT	100%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	0
Non-FSC	Material received with no FSC claim.	0	0
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	0	0

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

1. Evaluation of Site: Formosa Chemical & Fibre Corporation

Primary Responsible Person: (Responsible for control system at site(s))	Chang Shin-Kuei, Senior Engineer
Auditor(s):	Huang Rui (Rick)
People Interviewed, Titles:	Chang Shih-Kuei, Senior Engineer Chin-Sheng Wu, Assistant Plant Manager Philip Lin, Department Manager Chin-Kuen Chang, Senior Engineer Chao-Jung Ko, Senior Engineer Tung-Fen Wu, Section Manager Lai-Hsin Wu, Section Manager Ti-Nan Chen, Section Manager Jen-Ta Yang, Section Manager Ming-Tai Shen, Assistant Section Manager Chun-Shi Wu, Advanced Engineer Wen-Chung Lu, Advanced Engineer Chi-Neng Lin, Advanced Engineer Mr. Wu, subcontractor worker at material warehouse Mr. Chen, Worker at production line. Mr. Wu, Worker at production line. Mr. Chen, logistic dept.
Comments: None	

2. Standard Checklist

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 publicly 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: Organization has committed to the implementation of the pulp sourcing policy published on the company's website http://www.fcc.com.tw/Rayon/tw/pdf/%E6%A3%AE%E6%9E%97%E4%BF%9D%E8%</p>

	<p>AD%B7%E4%B9%8B%E7%BA%96%E7%B6%AD%E6%8E%A1%E8%B3%BC%E6%94%BF%E7%AD%96.pdf.</p> <p>Via interviews with senior managers, audit team confirmed that actions have been taken to implement the pulp sourcing policy such as adopting FSC CoC certification, establishing management procedures relevant to the pulp sourcing policy and stop sourcing activities from non FSC certified suppliers etc..</p>
<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>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>After the forest sourcing policy signed and published on 27 May 2019, organization committed to only sourced FSC certified material. Organization also uses FSC certification as a tool to control sourcing risk. The organization has presented auditors the Documented Control System (DCS), however, the content of the DCS is for the enforcement of the FSC certification without inputs from civil society stakeholders. In an interview with key managers, the auditor was told that the organization has adopted and implemented a policy to purchase FSC certified pulp from FSC certified pulp mills.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Assistant Plant Manager and senior manager are assigned for the implementation of the policy. Other departments in the organization all cooperate with Assistant Plant Manager and senior managers to implement the policy.</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</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: Organization has established an organization chart for the implementation the policy. The organization has held trainings on the policy in 28th May and 27th Sep for key managers and organization staff. Auditor interviewed with the key managers in the organization that they have good awareness of organization's forest sourcing policy and they are clear about the methods on controlling the risk.
1.5 The MMCF producer has communicated its commitment to implement its Policy to all its 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: Prior to the date of the audit, the organization has notified all suppliers about its commitment and forest sourcing policy via email, all suppliers (3) confirmed the receipt of the email and agree to work together with the organization for the compliance of their commitment.
1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**	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: Organization started the forest sourcing policy on 27 May 2019, organization stop sourcing from FSC non-certified supplier. The requirement to implement the policy was included in the agreement with 3 current suppliers.
1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**	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: Organization has established a supplier evaluation procedure that mainly focus on the supplier quality. Organization stop sourcing from FSC non-certified supplier. The requirement to implement the policy was included in the agreement with 3 current suppliers. However, the procedure is not involved in implementing a

	<p>system to monitor supplier conformance with the Policy, therefore indicator is in progress.</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 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 established non-conformance and grievance management procedure. The procedure has been shared with all suppliers. But at the stage of the procedures establishment, civil society stakeholders inputs were not taken into consideration.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**</p>	<p>Conformance with Indicator:</p> <p><input 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 established non-conformance and grievance management procedure. The procedure has these elements: a. Acknowledge receipt of the non-conformance and grievance to the complainant within two (2) weeks of receiving the complaint; b. Investigate the complaint and specify its proposed actions in response to the complaint within three (3) months. c. Take appropriate actions with respect to complaints and any deficiencies found in processes that affect conformity to the certification requirements; d. Notify the complainant and the organization when the complaint is considered to be successfully addressed and closed.</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: The organization managers for the production site are aware of the policy, however, workers in the material warehouse and shipping department are not employees of the organization. They are working for a local labor service company that provides laborers to the</p>

	<p>organization. Although the policy was not provided to the material warehouse workers, the policy was supervised by the organization’s manager.</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 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: Organization has established documentation control system and issued procedures to each site manager for implementing the Policy. The warehouse and shipping department are supervised by the organization’s manager who is responsible for making sure that the policy is implemented.</p>
<p>Summary: The organization has made a commitment and policy on responsible sourcing, organized training to staff on the policy and assigned the supply department to implement the policy. It is the expectation of the CanopyStyle that gaps between policy commitments and actual sourcing policies will be addressed. CanopyStyle requires an effective SOP for the implementation of policy and supplier monitoring systems.</p> <ol style="list-style-type: none"> 1. Requirements to implement the Policy is included in the contract with pulp suppliers. FSC certified pulp is also required of the suppliers by the organization. 2. 100% FSC certified pulp was sourced since organization signed the forest sourcing policy. 3. There is no effective channel for stakeholder inputs to the sourcing policy and practices. The organization is sourcing FSC-certified pulp which provides some stakeholder inputs. Additional implementation measures are needed to meet all of the commitments within the policy with regards to the prohibition of sourcing from ancient and endangered forests. The forest sourcing policy and related training needs to be implemented openly to ensure all staff or workers clearly understand the policy. 	

<p>2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy</p>	
<p>Indicators</p>	<p>Findings</p>
<p>2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group.**</p>	<p>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 conducted a supply chain assessment and confirmed that they had shared the supply chain information with Canopy via email on 27 Sep 2019. At the</p>

	<p>beginning of June, the organization had a meeting with Canopy about the overall progress of the policy's implementation. The auditor reviewed the email between Canopy and organization.</p>
<p>2.2 The assessment identifies all suppliers in the chain beginning at the forest or plantation of origin, that supply the MMCF mills.</p>	<p>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 collected and identified all suppliers' transaction documents and sourcing information back to the pulp mill level only. For pulp sourced, the organization collected the Country of Origin which proves the origin of the pulp only. The organization purchased FSC Mix pulp and suppliers all declared their wood chips or round wood from the country of origin to the organization. However, organization does not collect the documents to show the timber's species or country of origin. Organization did not verify the information provided by suppliers.</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 checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Organization just collected supply chain information from the pulp supplier. Related risk assessment against the forest of origin and supply chain is at initial stage, with a focus on FSC. http://www.fcc.com.tw/Rayon/en/pdf/Sourcing%20Information.pdf</p> <p>In addition, the Dissolving Pulp Classification tool indicates that one supplier is at low risk of sourcing from Ancient and Endangered Forest, another supplier has potential risk of sourcing, and the third supplier has risk level which are unknown.</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:</p>

	<p>The organization conducted a supply chain assessment and confirmed that they had shared the supply chain info with Canopy via email on 27 Sep 2019. At the beginning of June, organization had meeting with Canopy about the overall progress in policy implementation. The auditor reviewed the email between Canopy and organization. Supply chain information and assessment has been shared with Canopy, but it has not been shared with related 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 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: Organization has established a valid traceability system via organization's own ERP (Enterprise Resource Planning) system recording all transaction and production information. Auditor checked the product warehouse and sampled two batches of product existing in stock. All related material sourcing information (bill of lading, certificate of origin, invoice and packing list) and production record were provided by organization. After the organization signed the forest sourcing policy, all the material used are all FSC certified and sourced from 3 FSC certified suppliers.</p> <p>Updated finding since the audit:</p> <p>The organization published its supplier list after the audit visit. http://www.fcfc.com.tw/Rayon/en/pdf/Sourcing%20Information.pdf</p>
<p>Summary: After organization signed forest sourcing policy, organization just sourced from 3 FSC certified suppliers. The organization is able to identify suppliers' information at the pulp mill level. The forest origin information is collected from the pulp mill, which is not verified by the organization. Though organization sourced FSC certified pulp, the organization doesn't use any tools to collect or verify the forest of origin information using GPS points, GIS coordinates and/or shapefiles from its dissolving pulp suppliers. The organization cannot, therefore allow for an overlay with the Canopy map of Ancient and Endangered forests. Organization has established a good traceability system based on the standard FSC-STD-40-004 V3-0, which is a key method to control risk.</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> <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 Description of the finding: When organization signed the forest sourcing policy, organization requires only FSC certified pulp as input. They have since sourced from 3 FSC certified suppliers. Organization adopts FSC certification as organization's due diligence system to ensure material is not sourced from the conversion of natural forest to plantations since 1994. However, organization has not documented the initial plantation development date.
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Summary:

When organization signed the forest sourcing policy, organization requires only FSC certified pulp as input. They have since only sourced from 3 FSC certified suppliers. Organization adopts FSC certification as DDS system to ensure material is not sourced from the conversion of natural forest to plantations since 1994. However, organization has not documented the initial plantation development date.

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> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: The organization has adopted a clear definition of "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", in their policies and send those definition to suppliers via email.</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> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available <p>Description of the finding: The organization collected and identified all suppliers' transaction documents and sourcing info back to the pulp mill level only. For pulp sourced, the organization collected the Country of Origin which proves the origin of the pulp only. The suppliers all declared their wood chips</p>

	<p>or round wood species and the country of origin information to the organization. However, organization has not identified or mapped the timber's country of origin, A&E forests or verify the information provided by suppliers.</p> <p>In addition, the Dissolving Pulp Classification tool indicates that one supplier is at low risk of sourcing from Ancient and Endangered Forest, another supplier has potential risk of sourcing, and the third supplier has risk level which are unknown.</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 checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization just collect forest information from the supplier and did not verify the forest origin. During the on-site inspection, organization has non FSC certified material in the warehouse that sourced before organization signed the pulp sourcing policy. The material has been stored in the warehouse for more than 6 months and related forest origin information were not collected. Organization's representative also told the auditor, as they don't know the sourcing info of that batch non-certified material, so the organization can't use them into production. Though FSC certified material sourced only after organization signed the forest sourcing policy, organization doesn't collect the detail forest origin information such as harvest permit or country of origin certificate.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Organization is a listed company in Taiwan. The auditor interviewed the staff and department manager who are responsible for legality activities. They indicate that no illegal activities have been found since 2000s. Additionally, the auditor has made a survey via website searching that no negative news on illegal activities are found.</p>

4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**

Conformance with Indicator:

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

Description of the finding:

The organization does not verify the forest of origin information provided by suppliers.

The Dissolving Pulp Classification tool indicates that one supplier is at low risk of sourcing from Ancient and Endangered Forest, another supplier has potential risk of sourcing, and the third supplier has risk level which are unknown.

Summary:

Organization is clear with the definition of "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. illegal activities were also controlled and avoided by organization. The organization identified all suppliers back to the pulp mill level only. Though organization purchased FSC Mix pulp and suppliers all declared their wood chips or round wood from the country of origin and species info to the organization. However organization does not collect the documents to show timber's species or country of origin information such as harvesting license, timber origin and etc. Organization didn't verify the information provided by suppliers.

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

Indicators	Findings
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5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**

Conformance with Indicator:

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

Description of the finding:

The organization collected and identified all suppliers through transaction, transportation and sourcing documents back to the pulp mill level. They have not identified the forest of origin.

5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**

Conformance with Indicator:

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

(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)

Description of the finding:

	<p>There are documented procedures on withdrawals from supply agreements where non-conformance has been established.</p> <p>The organization has shared their pulp policies to all suppliers and all suppliers confirmed their support for compliance of the policy. In the interview with the organization representative, only FSC certified material from FSC certified supplier is sourced.</p> <p>In addition, 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. After organization signed forest sourcing policy, three suppliers' cooperation have been suspended. No other non-conformance was found by organization.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p>Conformance with Indicator:</p> <p><input 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: Until now there is no non-conformance identified by organization, however they have suspended cooperation with 3 suppliers as they cannot supply FSC certified material.</p>
<p>Summary:</p> <p>There are documented procedures on withdrawals from supply agreements where non-conformance has been established. 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. After organization signed forest sourcing policy, three suppliers' cooperation have been suspended. No other non-conformance was found by organization. Until now there is no non-conformance identified by organization, however they have suspended cooperation with 3 suppliers as they cannot supply FSC certified material.</p>	

<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</p>	
<p>Indicators</p>	<p>Findings</p>
<p>6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process.**</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 auditor's interview with the organization representative indicated that the organization has invited and welcomed Canopy and the leader group to participate the 3rd party verification. The organization representative has sent email notifying Canopy of this audit on 27 Sep 2019.</p>
<p>6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection has been completed, based on best available science, by a credible third party, and made public.**</p>	<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 has no direct connection to forest areas where their FSC certified pulp suppliers source raw materials. The company's internal risk assessment is not fully aligned with the Dissolving Pulp Classification Tool (as it only considers FSC), more information required.</p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<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 not conducted an assessment and therefore has no specific first hand knowledge of whether material comes from controversial sources. The material sourced is from FSC certified forest and controlled wood. FSC certified suppliers have signed self-declaration which commits them to not source from controversial areas.</p>
<p>6.4 The MMCF producer has developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</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:</p>
<p>6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</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</p>

	<input checked="" type="checkbox"/> Insufficient Information Available Description of the finding:
Summary: Organization relies on FSC certification as a tool to control and migrate risk. Though material sourced is FSC certified, organization has not completed an independent assessment and therefore not developed management or action plans.	

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.**	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: Organization has developed forest sourcing policy and has sent the policy to all suppliers. The organization requests that the suppliers follows their policy. Organization sources FSC Mix material that means FSC controlled wood was used. However, they have not developed a procedure to implement FPIC.
7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**	Conformance with Indicator: <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: All suppliers are FSC certified therefore the organization sources FSC certified material that includes FSC Mix material. FSC mix contains FSC controlled wood . FSC forest management standards include requirements for recognizing and respecting these rights, however FSC Controlled Wood standards are more limited in scope with regards to these rights, but do include basic requirements.
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 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>Description of the finding: Organization’s 3 suppliers are all FSC CoC Certificate holders. FSC standards include requirements for complaints mechanism. There have been no complaints lodged as of this audit, and therefore this requirement is not applicable.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<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: From the interview with workers sampled for interview, auditor was told that they work 8 hours per day and no forced labor, wages are higher than local minimum wages that paid in time. During the on-site inspection, auditor did not find any child labor. Organization adopts FSC certification as DDS system which contains requirement for FSC certificate holders to obey recognize and respect the rights of its workers. Organization’s 3 suppliers are all FSC CoC Certificate holders. FSC CoC standards include a commitment to recognize and respect the rights of its workers and have the necessary internal capacity to manage the CoC system.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p>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: Organization use FSC certification as tool for their due diligence system as FSC COC standard criteria 1.3 defines “The organization shall commit to the FSC values as defined in FSC-POL-01-004 by signing a self-declaration that the organization is not directly or indirectly involved in the following activities: a. illegal logging or the trade in illegal wood or forest products; b. violation of traditional and human rights in forestry operations; c. destruction of high conservation values in forestry operations; d. significant conversion of forests to plantations or non-forest use; e. introduction of genetically modified organisms in forestry operations;</p>

	<p>f. violation of any of the ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work, 1998.”</p> <p>Besides, all FSC certificate holders shall sign self declaration which contains the content mentioned above.</p> <p>Organization’s 3 suppliers are all FSC CoC Certificate holders. FSC CoC standards include a commitment to uphold the ILO Declaration.</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Organization’s 3 suppliers are all FSC CoC Certificate holders. FSC standards ensure that such rights are respected.</p>
<p>Summary:</p> <p>There are no current procedures in place to ensure the implementation of the requirement for recognition and respect human rights, worker’s rights, ILO declaration, and FPIC rights for community at the supplier’s level. However, all suppliers of the organization are FSC certified and supplying FSC certified material. Organization sources FSC Mix material that means FSC controlled wood is included. FSC forest management standards include requirements for recognizing and respecting these rights, however FSC Controlled Wood standards are more limited in scope, but do include basic requirements.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The organization has been investing in the research of alternative fibre since the beginning of 2000s.</p> <p>Four main researches are under way including:</p> <ol style="list-style-type: none"> 1. Re-new cell pulp usage and spinning waste coating natural cotton. It aims to reduce negative impacts brought by processing. 2. Bamboo pulp and viscose development. It aims to reduce wood consumption. 3. Development of collagen cotton. Help use new material to reduce wood consumption. 4. Development of colored cotton. It helps reduce pollution.

	From the auditor's interview with the director of new product research and development department, auditor confirmed the organization planned to continue with progressive improvement and increasing the utilization of new material and technology for viscose.
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> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
<p>Description of the finding:</p> <p>Only point 1 is under testing which mentioned in 8.1 and point 2 is planning to start. Point 3 and 4 have been adopted and used for commercial production, however, Canopy does not consider the materials listed under 3 and 4 as alternatives.</p>	
<p>Summary:</p> <p>Four main researches are under way including:</p> <ol style="list-style-type: none"> 1. Re-new cell pulp usage and spinning waste coating natural cotton. It aims to reduce negative impacts from processing. 2. Bamboo pulp and viscose development. It aims to reduce the wood consumption. 3. Development of collagen cotton as a new material to reduce wood consumption. 4. Development of colored cotton. It helps reduce the pollution. <p>Point 3 and 4 have been adopted and used for commercial production.</p>	

9. Advocacy for conservation solutions	
Indicators	Findings
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
<p>Description of the finding:</p> <p>The organization joined and supported the Canopy initiative and committed to protect ancient and endangered forests. The organization has participated in the events held by Canopy. The organization has made efforts in tracking their material sources and training on the wood pulp sourcing policy. Until now organization has planted 1,870,000 trees in Taiwan. However, the organization has not taken actions to protect remaining ancient and endangered forests.</p>	
9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to	<p>Conformance with Indicator:</p>

<p>positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities.**</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’s brand influence is currently limited to the sustainable pulp sourcing policy, where the organization requires sourcing from certified suppliers in order to positively impact conservation and development solutions at the forest level.</p> <p>Updated finding since the audit: The organization has also supported a declaration to support conservation and community rights in the Leuser ecosystem in Indonesia, as well as Vancouver Island.</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:</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: Organization does not have a public statement noting its support of scientifically based conservation solutions, however they have broader statements of support via their support of sustainable sourcing and sustainable forest management.</p> <p>Updated finding since the audit: The organization has also supported a declaration to support conservation and community rights in the Leuser ecosystem in Indonesia, as well as Vancouver Island.</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: Organization is not involved in such programs.</p>
<p>Summary: Organization commits to advocate for conservation solutions regardless of whether the company is directly engaged in forest management. The organization prefers sourcing from certified suppliers in order to positively impact conservation and development solutions at the forest level. Currently, some actions taken by organization to join events that support collaborative and</p>	

visionary system solutions aiming to protect remaining ancient and endangered forests, endangered species and FPIC.

10. Responsible forest management

Indicators	Findings
10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input 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: After the organization signed the forest sourcing policy, they changed their material sourced to FSC certified.</p>
<p>Summary: After the organization signed the forest sourcing policy, they changed their material sourced to FSC certified.</p>	

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

Indicators	Findings
11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.	<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's regards GHG reduction as a key theme. They have started to assess the suppliers contributions to GHG. GHG emissions are primarily from fibre production. Currently, suppliers are in the preparation stage in reducing GHG.</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>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 sources pulp from FSC certified material. This is the organization's</p>

	method to protect forests, forested peatland at the concession and landscape level.
<p>Summary: GHG reduction has not been implemented for the entire supply chain. Organization has a commitment to source FSC certified material, which is their method for protecting forests..</p>	

12. Pollution Prevention	
Indicators	Findings
<p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The organization has provided evidence that it invests funds into pollution control systems at the mill. The investment in pollution control is around 200-250 million TWD. They keep pollution control technology updated when applicable. From the auditor's on-site inspection of the factory, a wastewater treatment plant was built so that wastewater emissions could be monitored in real time. Monitoring data is also public and is uploaded to local environmental protection department. Additionally CS2 recycle equipment and waste gas treatment equipment were built.</p>
<p>Summary: The organization has provided evidence that it invests funds into pollution control systems at the mill. The investment in pollution control is around 200-250 million TWD..Wastewater treatment plant was built so that wastewater emission could be monitored in real time. Monitoring data has been public and is uploaded to local environmental protection department. Moreover, CS2 recycle equipment and waste gas treatment equipment were built.</p>	

** Indicates Critical Indicators

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

1. Evaluation of Site: Formosa Chemical & Fibre Corporation

Primary Responsible Person: (Responsible for control system at site(s))	Chang Shin-Kuei, Senior Engineer
Auditor(s):	Huang Rui (Rick)
People Interviewed, Titles:	Chang Shih-Kuei, Senior Engineer Chin-Sheng Wu, Assistant Plant Manager Philip Lin, Department Manager Chin-Kuen Chang, Senior Engineer Chao-Jung Ko, Senior Engineer Tung-Fen Wu, Section Manager Lai-Hsin Wu, Section Manager Ti-Nan Chen, Section Manager Jen-Ta Yang, Section Manager Ming-Tai Shen, Assistant Section Manager Chun-Shi Wu, Advanced Engineer Wen-Chung Lu, Advanced Engineer Chi-Neng Lin, Advanced Engineer Mr. Wu, subcontractor worker at material warehouse Mr. Chen, Worker at production line. Mr. Wu, Worker at production line. Mr. Chen, logistic dept.
Comments:	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p>Description of the finding: The organization managers for the production site are aware of the policy, however, workers in the material warehouse and shipping department</p>

	<p>are not employees of the organization. They are working for a local labor service company that provides laborers to the organization. The policy is transferred to Although the policy was not provided to the material warehouse workers, the policy was supervised by the organization’s manager.</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 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: Organization has established documentation control system and issued procedures to each site manager for implementing the Policy. The warehouse and shipping department are supervised by the organization’s manager who is responsible for making sure that the policy is implemented.</p>
<p>Summary:</p> <p>Workers in material warehouse are not employees of the organization. They are working for local labor service company that provides the laborers to the organization. The policy was not provided to the material warehouse workers and full-time staff of shipping department. They do not fully understand the organization’s pulp sourcing policy. The organization has issued procedures for site managers to implement the policy.</p>	

2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings
<p>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>	<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 imports the pulp from foreign suppliers. Purchase and sales documentation is in accordance with the Customs Law, such as purchase contract, certificate of origin, bill of lading, purchase invoice and packing list. However, the organization has not kept documentation to identify the forest origin or species information.</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>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 maintains all input documentation, but does not include the identification of the forest 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 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: All material sourced is from FSC MIX, which was checked via the supplier sales documents where the FSC claim and certificate code were clearly stated.</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: Auditor reviewed the annual volume summaries of the organization. The summaries included the total quantity received, total quantity used, existing stock and the current stock. The quantity received from each supplier was also recorded by the organization.</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 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 supplier just provided the organization purchase contract, certificate of origin, purchase invoice and packing list. All the material received by the organization are with certification status (certificate code and FSC claim). The forest of origin was not provided by the suppliers.</p>

Summary:

The organization just keeps related transaction documents in accordance with the Customs Law. However, the organization does not keep documentation to identify the forest origin nor does the suppliers provide those related documents.

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 non-compliance, with local, national or international laws.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Organization is a listed company in Taiwan. The auditor interviewed the staff and department manager who is responsible for legality activities. No illegal activities have been found since 2000s. Additionally, the auditor made a survey via website searching that there was no negative news on illegal activities relating to the suppliers.</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: It is not clear if all workers in the production site are clear with the definition of "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. The warehouse and shipping departments were not clearly informed about the policy. .. The organization believes that they are not procuring pulp from A&E forests and controversial sources by purchasing FSC Mix pulp and having suppliers all declared their wood chips or round wood from the country of origin. However, the organization does not collect the documents that show timber's country of origin and did not verify the information provided by suppliers.</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:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met</p>

	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: The purchase department of the organization is responsible for supplier monitoring not the production site.
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 purchase department of the organization is responsible evaluating risk.
Summary:	

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

7. 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 production site/mill has developed and adopts a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	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:

	<p>Organization has developed pulp sourcing policy including that the organization shall follow FPIC principles. The production site shares the same policy. The policy is sent to all suppliers. Organization got feedback from suppliers that they would obey the policy.</p>
<p>7.2 The production site/mill document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <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: Organization and the production site share the same policy. The policy includes that the organization shall respect human rights. And the rights of workers. There were no violations of worker rights or human rights observed during the audit of the facility. The purchasing department monitors the suppliers conformance to the policy on these rights.</p>
<p>7.3 The production site/mills show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Organization's 3 suppliers are all FSC CoC Certificate holders. FSC standards include requirements for complaints mechanism. The production site shares the complaints mechanism with corporate. There have been no complaints lodged as of this audit, and therefore this requirement is not applicable.</p>
<p>7.4 The production site/mill and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</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: From the interview with workers sampled for interview, auditor was told that they work 8 hours per day and no forced labor, wages are higher than local minimum wages that paid in time. During the on-site inspection, auditor did not find any child labor. Organization adopts FSC certification as DDS system which contains requirement for FSC certificate holders to obey recognize and</p>

	<p>respect the rights of its workers. Organization's 3 suppliers are all FSC CoC Certificate holders. FSC CoC standards include a commitment to recognize and respect the rights of its and suppliers' workers.</p>
<p>7.5 The production site/mill has developed procedures to ensure commitment to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>From the interview with workers sampled for interview, auditor was told that they work 8 hours per day and no forced labor, wages are higher than local minimum wages that paid in time. During the on-site inspection, auditor did not find any child labor.</p> <p>Organization adopts FSC certification as DDS system which contains requirement for FSC certificate holders to obey recognize and respect the rights of its workers.</p> <p>Organization's 3 suppliers are all FSC CoC Certificate holders. FSC CoC standards include a commitment to uphold the ILO Declaration.</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>Organization's 3 suppliers are all FSC CoC Certificate holders. FSC standards ensure that such rights are respected. There was no evidence that the organization is avoiding or failing to resolve conflicts.</p>
<p>Summary:</p> <p>Organization adopts FSC certification as DDS system which contains requirement for FSC certificate holders to obey recognize and respect the rights of its workers.</p> <p>There are no current procedures in place to ensure the implementation of the requirement for recognition and respect human rights, worker's rights, ILO declaration, and FPIC rights for community at the supplier's level. All suppliers of the organization are FSC certified and supplying FSC certified material. Organization sources FSC Mix material that means FSC controlled wood was used. FSC forest management standards include requirements for recognizing and respecting these rights, however FSC Controlled Wood standards on human rights are limited to traditional and civil rights where Canopy's commitment to recognize and respect human rights are more broad. There was no evidence that the organization is avoiding or failing to resolve conflicts.</p>	

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Canopy applauds Formosa Chemical Fiber Corporation (FCFC) for embarking on the verification process in fall 2019 so quickly after adopting a wood sourcing policy. The audit identifies that there is no *known risk* of sourcing from Ancient and Endangered Forests, however it cannot confirm low risk throughout FCFC's supply chain.

Based on the review of the audit report, Canopy recommends the following improvements :

-Engage with suppliers that have potential risk of sourcing from Ancient and Endangered Forest to reduce and mitigate risk, particularly Rayonier Temiscaming which is located near Intact Forest Landscapes (IFL) in Canada's Boreal Forest, and request that they address risk in their supply chain and engage in science-based conservation planning;

-Ensure that key staff in all sites are fully informed about the company's Fibre Procurement Policy for Protecting Forests, and that a monitoring procedure is in place to ensure compliance.

-Continue to increase the amount of Forest Stewardship Council forest management certified inputs used in products, with a focus on FSC 100% that comes from forests that are certified to the forest management standard. Source materials with certification claims. FSC CoC/Mix should be an interim step to achieving fully certified material.

-Continue to scale up investments in research and development of viscose fibres that use a high proportion of recycled textile and/or agricultural waste with low environmental impacts. Develop targets and timelines for their use in commercial products.

As mentioned in the CanopyStyle audit framework, the company is expected to notify Canopy should it decide to expand its supplier list beyond the current source.

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will be essential to ensure that Formosa Chemical Fiber Corporation (FCFC) continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

Once again, we congratulate you for the timely completion of the audit and for your positive results. We look forward to working collaboratively with your company to address any outstanding issues.

