



# CanopyStyle Audit Report for Yibin Grace Group Co. Ltd

**Assessment 2025**

**Evaluation date: 22-July-2025**

**Report date: 25-September-2025**

## Organisation Contact

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## INTRODUCTION

Preferred by Nature (former name: NEPCon) is an international, non-profit organisation that delivers sustainability services and engages in innovation projects to facilitate the transformation of business practices and consumer behaviour to promote the responsible use of natural resources. Around 1,300 Chain of Custody-certified clients benefit from our over 15 years of experience in providing services to the forest supply chain sectors – including timber processing and manufacturing companies, printing houses, publishers, paper merchants, traders and retailers of all sizes.

Through a well-developed network of regional representatives and contractors, Preferred by Nature offers timely and cost-effective certification services around the world.

The purpose of this report is to document performance of *Yibin Grace Group Co. Ltd* hereafter referred to as "Company", against the requirements of the Verification Framework and Guidelines, (September 2021 version<sup>1</sup>) and related guidance documents<sup>2</sup> developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>3</sup> and the over 500 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

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

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<sup>1</sup> <https://canopyplanet.org/wp-content/uploads/2021/02/CanopyStyle-Audit-Guidelines-and-Verification-Framework-ENG-CHN.pdf>

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

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

<sup>4</sup> <https://canopyplanet.org/wp-content/uploads/2019/10/AdviceNoteCanopyStyleAudits.pdf>

# 1. GENERAL DESCRIPTION

## 1.1 Company overview

Yibin Grace Group Co., Ltd. (hereinafter referred to as Company) was founded in 1984. It is a large-scale comprehensive modern state-owned enterprise group with the bio-based cellulose fibre and its new material industry as its core.

The Group company holds a number of third-party certificates, including:

- FSC Chain of Custody[PBN-COC-052139]
- OEKO-TEX STeP
- OEKO-TEX® testing and certification system
- Textile Exchange
- Business Social Compliance Initiative
- Quality management certificate,
- Environment Management System
- RCS Scope Certificate
- EU BAT
- Higg Certificate, etc.

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

Name/Description of sites	Location
<b>Corporate office:</b> Yibin Grace Group Co., Ltd., [PBN-COC-052139]	Yanpingba Industrial Zone, Nanguang Town, Xuzhou District, Yibin City, 644002 P.R.China
<b>Mill 1:</b> Yibin Hiest Fibre Limited Co.. (Filament Yarn)	
<b>Mill 2:</b> Yibin Grace Co., Ltd. (Staple Fiber)	
<b>Mill 3:</b> Sichuan Grace Fiber Technology Co.,Ltd (Staple Fiber, Lyocell [staple fibre])  <i>Lyocell fiber production has not yet begun.</i>	Fuxi Industrial Park, Yuejiang Town, Gao County, Yibin City, Sichuan Province.

- Yibin Hiest Fibre Limited Co.,Ltd. [FSC COC Certificate: PBN-COC-052139]. It has 2743 staffs, and all staff sign labor contracts. During this reporting period, there is one product in Yibin Hiest Fibre Limited Co.,Ltd:  
 Viscose Rayon Filament, which produced by dissolving pulp (70%) and recycled cotton pulp (30% Circulose pulp). And the capacity is 45,000 tons/year with 2 production lines.
- Yibin Grace Co., Ltd.[ FSC COC certificate: PBN-COC-052139] It has 535 staffs, and all staff sign labor contracts. During this reporting period, there is one product in Yibin Grace Co.,Ltd:

Stable fibre, produced by chemical/dissolving pulp (50%) as well as recycled cotton pulp (50% Circulose pulp). Full capacity is 120,000 tons/year with 1 production line.

- Sichuan Grace Fibre Technology Co.,Ltd [FSC COC certificate: PBN-COC-075918]  
It has 895 staffs, and all staff sign labor contracts. During this reporting period, there is one product in Sichuan Grace Fiber Technology Co.,Ltd:  
Staple fibr, produced by chemical/dissolving pulp (50%) as well as recycled cotton pulp (50% Circulose pulp). Full capacity is 80,000 tons/year with 1 production line.

The mill is also planning to produce lyocell fibre [30% recycled pulp(using circulose recycled pulp or other recycled pulp produced by the company itself) + 70% dissolving pulp] product with 1 production line and 50,000 tons/year capacity. The production has not yet begun.

Note:

- The Company manages centralized sourcing but this is implemented mainly by Yibin Hiest Fibre Limited Co.,Ltd. (Hiest) and another small number by Yibin Grace IMP and EXP Co,Ltd.
- Update on the Xinjiang Yaoao Technology Co.,Ltd : Company has invested in a mill (Xinjiang Yao Technology Co., LTD) in Xinjiang Province China for viscose staple fiber production. Xinjiang Yao Technology Co., Ltd., which has no substantial business operations, filed for bankruptcy liquidation with the Manas People's Court. On July 17, 2025, the Manas County People's Court accepted Xinjiang Yao Technology Co., Ltd.'s bankruptcy liquidation application and has selected a bankruptcy liquidation administrator to conduct liquidation work.
- **The audit scope for this reporting period is:**
  - Corporate Sourcing verification audit**
  - Sichuan Grace Fibre Technology Co.,Ltd verification audit**

### 1.3 Company sourcing policy

The organization published and updated their Fibre Procurement Policy for Protecting Forests, effective 01 January 2023, which is publicly available on its website:

EN version: <https://en.cn-grace.com/resources1.aspx?t=12> , CN version: <https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf>

Yibin Grace Group Co., Ltd., is committed to:

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

## 2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input type="checkbox"/> Single	<input checked="" type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	<p>1, Approximately 90% output is regular fiber product i.e. filament yarn and staple fiber. Both are using 100% dissolving pulp.</p> <p>2, Approximately 5% output is recycled fiber product:</p> <ul style="list-style-type: none"> <li>- Filament yarn (70% of dissolving pulp , 30% of recycled cotton pulp from Circulose);</li> <li>- Staple fiber (50% of chemical/dissolving pulp) , 50% of of recycled cotton pulp from Circulose )</li> </ul> <p>3, Approximately 5% output is regular lyocell fiber product, using 100% dissolving pulp.</p> <p>Note: the recycled lyocell fiber listed below is their production plan, no official production occurred yet.</p> <ul style="list-style-type: none"> <li>- Lyocell staple fibre [30% recycled pulp (using Circulose recycled pulp or other recycled pulp produced by the company itself) + 70% dissolving pulp]</li> </ul>	
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No  Comments:
Mill Capacity:	Yibin Hiest Fibre Limited Co.,Ltd: Filament Yarn: 45,000 ton/year Yibin Grace Co.,Ltd: Stable fibre:120,000 tons/year Sichuan Grace Fibre Technology Co.,Ltd: Staple fibre, 80,000 tons/year. This mill is also planning to produce lyocell fibre product with 1 production line and 50,000 tons/year capacity. The Lyocell fibre production has not yet begun.	
Primary Activity:	viscose filament yarn and staple fibre as well as lyocell fibre 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 (Hiest): 1,714 Permanent male (Co.,Ltd Company): 422 Permanent male (Sichuan Grace Fibre Technology): 668	Permanent female (Hiest): 1,029 Permanent female (Co.,Ltd): 113 Permanent female (Sichuan Grace Fibre Technology):227

	Contract male:	Contract female:
	TOTAL: 4,173	

Sites included in evaluation	Location
Corporate Office of Yibin Grace Group Co.,Ltd	Yanpingba Industrial Zone, Nanguang Town, Xuzhou District, Yibin City, 644002 P.R.China
Sichuan Grace Fibre Technology Co.,Ltd	Fuxi Industrial Park, Yuejiang Town, Gao County, Yibin City, Sichuan Province.

## 3. EVALUATION PROCESS

### 3.1 Audit Team

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

### 3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
Corporate Office	22-Jul-2025	4 hrs

Sichuan Grace Fibre Technology Co.,Ltd	22-Jul-2025	4 hrs
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**Note:** more details about audit process are provided in a separate audit plan

### 3.3 Description of Overall Audit Process

The audit officially started on 20 - May -2025. The auditor started contacting the Company by requiring relevant documentation based on the latest CanopyStyle audit guidelines and framework.

The Company sent over a number of documents such as sourcing policy, organizational chart in implementing the policy, standard operation manual, communication with suppliers on sourcing requirements, risk assessments with evidence for the reporting period (**01-May-2024 to 30-April-2025**) for all suppliers, procurement data, sales data, update on innovative and alternative fibre, evidence on conservation, evidence on social issues from suppliers, etc.

In the meantime, the auditor also communicated and cross-checked with the Company over any issues and questions occurred during the review process.

On 22-July-2025, the auditor conducted the on-site audit at the corporate office, with the presence of management representative and the key staff from relevant departments from the corporate office. During the opening meeting, the objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were communicated. The management representative gave a brief introduction of the company and operation activities and the efforts made on Canopy sourcing policy. The auditor then shared major findings from reviewing the documentation.

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

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

Then, the auditor toured the company's mill\_Sichuan Grace Fibre Technology Co.,Ltd including the warehouse(s), facilities. When touring the warehouse(s), the auditor checked on the mill's input and output records, storage for the pulp in use.

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

The closing meeting was held on the same day. The auditor gave a summary of the meeting, raised issues and acquired for additional further information within two weeks' time after the meeting. The Company provided further required additional documentation at a later stage as well as responded to some of the major concerns, such as training record, missing purchase invoices, next-gen fibre updates, etc. For details please refer to the report findings.

#### Participants(partly):

1. Mr. Song Wei, Deputy General Manager of the Corporate Group
2. Mr. Chen Yongjun, General Manager, Sichuan Grace Fibre Technology, Co.,Ltd
3. Ms. Zhou Hongmei, Deputy General Manager, Yibin Hiest Fibre Co.,Ltd
4. Mr. Liao Tinggao, Deputy General Manager, Yibin Grace Co.,Ltd
5. Ms. Li Yuhong, Deputy Director, Supply Chain Pulp and Trade Development
6. Mr. Wang Zhilei, Brand Manager, Supply Chain Sustainability
7. Ms. Cai Jie, Supply Chain Sustainability Manager
8. Mr. Yin Heng, ESG Manager, Supply Chain Sustainability Department
9. Mr. Wang Jie, Quality Monitoring Division, Sichuan Grace Fibre Technology Co.,Ltd
10. Ms. Li Xiaoxia, Deputy Director of Supply Chain Sustainability
11. Mr. Liao Lei, Deputy Manager of Doupe Manufacturing Department
12. Mr. Wen Gongmin, Director of the Materials Management Center
13. Ms. Li Dianhong, Director of Fiber Technology Production Department
14. Mr. Chen Xingkui, Representative from Labor Union
15. Mr. Chen Xiaojun, Wood Pulp Division

## 4. EVALUATION RESULT

### 4.1 Evaluation Conclusion

#### Positive Findings:

The Company has been implementing the sourcing policy in line with CanopyStyle initiative.

A standard operation procedure (SOP) has been developed by the HQ to implement the Policy as well as monitor on the suppliers' performance. The standard operation procedure is shared with the mills.

The Company has also developed capacity as well as organizational structure in implementing the Policy. Management team as well as the production site managers are trained how to implement the policy and procedure.

The Company keeps communicating about this policy with all suppliers.

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

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

The Company has been developing fibre by using recycled fibre and finished the technical exploration and trial production. The R&D division also seeks new material in the alternative fiber development , currently the company has been trialling in using Seaweed, Chitin/ Chitosan as raw material to produce fiber.

The Company has been attending or participating in series of events/workshops/visits that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.

The Company’s new mill\_Sichuan Grace Fiber Technology will start using clean viscose manufacturing technology to produce lyocell fiber.

### Areas for Improvement:

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, and during this audit some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, others disclosed up to sub-regional/country level, while some didn’t reveal their forest level info. Therefore, origin of material for suppliers who is only known at a sub-regional/country level or from unknown region, creating a broad sourcing area with potential overlap with ancient and endangered forests.

Company tried to evaluate the supply chain risks using additional criteria to complete their risk assessment to evaluated/control the risk of purchasing pulp, including risk of legality, violation of human and conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism etc.

The company used CPI score as a supporting tool to evaluate the legality related risks from each sourcing country. However, no specific description on how to evaluate and verify if there are pulp/wood sourced from sources where GMO species is involved or not, whether there is forest conversion occurred, whether human rights are respected and upheld.

Auditor sampled 3-6 sets of purchasing documents from each pulp supplier.

- LD Cellulose supplied FSC Mix Credit certified pulp to Yibin Hiest Fibre
- AustroCel Hallin provided both PEFC Controlled Sources claimed pulp as well as non-certified pulp to Yibin Hiest Fibre
- For the rest of the suppliers ( Sappi, CPMC [Guaiba, Brazilian mill and Chilian mill], Cenibra, Susano, and Arauco), they all supplied pulp to other 2 mills (Yibin Grace Co., Ltd and/or Sichuan Grace Technology). **Although the company declared that all those pulps were purchased as either FSC Mix certified or FSC Controlled Wood claimed, the cross checking over the samples from those suppliers cannot verify on the declaration. The FSC status of that pulp is unclear.**

The company has a procedure (Pulp supplier procurement evaluation procedure-Regarding procurement of tropical peatlands and/or intact forest landscapes) to prevent sourcing from tropical peatlands and/or intact forest landscapes. Although there are FSC certified material supplied to the Company, FSC material could be sourced from peatlands and IFLs. In addition, there is non-certified dissolving pulp supplied as well, where the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.

Canopy shared an advice note (effective 1 June 2019) that introduces a new tool (Dissolving Pulp Mill Classification) to be used in addition to the Forest Mapper when conducting risk assessments for sourcing from ancient and endangered forests. The new tool outlines commonly used dissolving pulp mills and a determination of risk considering priority ancient and endangered forests. Below please find the results comparison between the company internal risk assessment conducted for 2022 and the Canopy Dissolving Pulp Classification Tool:

### Comparison between the Company’s risk assessment results and Canopy Dissolving Pulp Classification Tool

Mill	Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
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Yibin Hiest Fibre Limited Corporation	AustroCel Hallein	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit. However, the mill has lost its FSC certificate and cannot sell FSC-certified products.
	LD CELULOSE	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
Yibin Grace Co., Ltd	Arauco (under the Canopy Dissolving Pulp Mill Classification Tool, only Valdivia mill of Arauco is graded as No Ancient and Endangered Forest sourcing issued identified. For the supply to the company, it's not known if the pulp supplied from Valdivia mill).	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
	CMPC (Guaiba, Brazil)	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
	CMPC (Pacífico, Chile)	Green: Source is fully compliant (priority procurement)	Information not available at this time.
	Celulose Nipo-Brasileira	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.

	Suzano	Green: Source is fully compliant (priority procurement)	Information not available at this time.
Sichuan Grace Fiber Technology Co., Ltd.	Arauco (under the Canopy Dissolving Pulp Mill Classification Tool, only Valdivia mill of Arauco is graded as No Ancient and Endangered Forest sourcing issued identified. For the supply to the company, it's not known if the pulp supplied from Valdivia mill).	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
	CMPC (Guaiba, Brazil)	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
	CMPC (Pacífico, Chile)	Green: Source is fully compliant (priority procurement)	Information not available at this time.
	Sappi (Saiccor)	Green: Source is fully compliant (priority procurement)	No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit.
	Suzano	Green: Source is fully compliant (priority procurement)	Information not available at this time.
	Sichuan Grace Fiber Technology Co., Ltd. (supply recycled textile product)	N/A	N/A

## 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

\*\* Indicates Critical Indicators

Key Commitment	Performance Indicators	Rating
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy **	<i>Commitment Met</i>
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	<i>Commitment Met</i>
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	<i>Commitment Met</i>
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<i>Commitment Met</i>
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	<i>Commitment Met</i>
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment Met</i>
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<i>Commitment Met</i>
	1.8 The MMCF producer has put in place a grievance procedure.	<i>Commitment Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Not Applicable</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>

	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment in Progress</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment Met</i>
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment Met</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment in Progress</i>
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>
3. MMCF supply chain is deforestation free- there is no conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	<i>Commitment in Progress</i>
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and 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. **	<i>Commitment Met</i>
	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	<i>Commitment in Progress</i>

	considered controversial sources have been identified and shared with Canopy, with permission to share 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. **	<i>Not Applicable</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<i>Commitment Met</i>
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<i>Commitment in Progress</i>
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.1 All MMCF producers' suppliers are identified and the forest of origin is known. **	<i>Commitment in Progress</i>
	5.2 The MMCF producer has developed procedures for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. ** (Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)	<i>Commitment Met</i>
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<i>Not Applicable</i>
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, the Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **	<i>Not Applicable</i>
*If If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may	6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	<i>Not Applicable</i>

<p>excute the conservation planning and FSC certification themselves)</p>		
	<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **</p>	<p><i>Not Applicable</i></p>
	<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation 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><i>Not Applicable</i></p>
	<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **</p>	<p><i>Not Applicable</i></p>
<p>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies in the forestry sector</p> <p>Note: This audit focuses on only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk</p>	<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations. **</p>	<p><i>Commitment Met</i></p>

<p>verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.</p>		
	<p>7.2 Suppliers document how they conform with the MMCF producer’s commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **</p>	<p><i>Commitment in Progress</i></p>
	<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><i>Commitment in Progress</i></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><i>Commitment in Progress</i></p>
	<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p><i>Commitment in Progress</i></p>
	<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer’s forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p><i>Commitment in Progress</i></p>
<p>8. Development of Innovative and Alternative Fiber</p>	<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><i>Commitment Met</i></p>
	<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF</p>	<p><i>Commitment Met</i></p>

	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. **	<i>Commitment Met</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Not Applicable</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<i>Not Applicable</i>
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment Met</i>
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<i>Commitment in Progress</i>
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment in Progress</i>
12. Pollution Prevention	12.1 * This verification process <u>will not</u> verify the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.  Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the	<i>Not Applicable</i>

	ZDHC new viscose guidelines available at <a href="https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released">https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</a>	
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### 4.3 Volume Summaries<sup>5</sup>

Reporting period: 1<sup>st</sup> May 2024 – 30<sup>th</sup> April 2025

#### A. Yibin Grace Co., Ltd

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	34,579	12.23%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	248,268	87.77%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).		
Non-FSC	Material received with no FSC claim.		
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)		

#### B. Yibin Hiest Fibre Limited Corporation

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)		
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	<b>11,500</b>	<b>19.66%</b>
		<b>PEFC Controlled Source claimed</b>	
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	<b>44,000</b>	<b>75.21%</b>
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).		
Non-FSC	Material received with no FSC claim.	<b>3,000</b>	<b>5.13%</b>

<sup>5</sup> The volume summary is provided by the organization.

PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)		
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### C. Sichuan Grace Fiber Technology Co., Ltd.

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	4,221	<b>4.21%</b>
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	<b>96,032</b>	<b>95.79%</b>
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).		
Non-FSC	Material received with no FSC claim.		
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)		

<sup>5</sup> The volume summary is provided by the organization.

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

### 1. Evaluation of Corporate Office

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Song Wei, Deputy General Manager of the Corporate Group
<b>Auditor(s):</b>	Zhou Peiyong
<b>People Interviewed, Titles:</b>	<ul style="list-style-type: none"> <li>- Mr. Song Wei, Deputy General Manager of the Corporate Group</li> <li>- Mr. Chen Yongjun, General Manager, Sichuan Grace Fibre Technology, Co.,Ltd</li> <li>- Mr.. Xia Changlin, General Manager, Yibin Hiest Fibre Co.,Ltd</li> <li>- Mr. Xiaodong, General Manager, Yibin Grace Co.,Ltd</li> <li>- Mr. Liu Aibin, R&amp;D</li> <li>- Ms. Li Yuhong, Deputy Director, Supply Chain Pulp and Trade Development</li> <li>- Mr. Wang Zhilei, Brand Manager, Supply Chain Sustainability</li> <li>- Ms. Cai Jie, Supply Chain Sustainability Manager</li> <li>- Mr. Yin Heng, ESG Manager, Supply Chain Sustainability Department</li> <li>- Mr. Wang Jie, Quality Monitoring Division, Sichuan Grace Fibre Technology Co.,Ltd</li> <li>- Ms, Li Xiaoxia, Deputy Director of Supply Chain Sustainability</li> <li>- Mr. Liao Lei, Deputy Manager of Doupe Manufacturing Department(</li> <li>- Mr. Wen Gongmin, Director of the Materials Management Center</li> <li>- Ms. Li Dianhong, Director of Fiber Technology Production Department</li> <li>- Mr. Chen Xingkui, Representative from Labor Union</li> <li>- Mr. Chen Xiaojun, Wood Pulp Division</li> </ul>
<b>Brief Overview of Audit Process for this Location:</b>	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>

**Comments:** The Company's Corporate Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill

## 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company published and updated their Fibre Procurement Policy for Protecting Forests, effective 01 January 2023, which is publicly available on its website:  EN version: <a href="https://en.cn-grace.com/resources1.aspx?t=12">https://en.cn-grace.com/resources1.aspx?t=12</a> , CN version: <a href="https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf">https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf</a></p> <p>The interview with the key managers confirmed senior management team were well informed the definition of ancient and endangered forests and other controversial sources and were fully committed to implement pulp procurement policy.</p>
1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has developed and implemented the internal control procedure for dissolving pulp sourcing_ <i>Purchasing and external supplier control procedures</i> (code: CYX/QB-2024-11) in triplicate for 3 mills for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company.</p>

	<p>The procedure is composed of several segments including: related definition of ancient and endangered forest, other controversial sources, responsibilities of related person and department, suppliers' assessment including evaluation method, documents managements, material validation, sourcing risk control.</p> <p>The evaluation methods of the supplier include:</p> <ol style="list-style-type: none"> <li>a. Review the collected and formed supplier files and evaluate their ability to meet the contract requirements based on their performance, effectiveness and credit.</li> <li>b. Evaluate whether the suppliers meet the requirements of Company's Fiber procurement Policy for Protecting Forests (see, 1.1 above). i.e. 1) Protecting ancient and endangered forests, intact forest landscapes, and tropical peatlands; 2) Recognizing, respecting, and supporting human and community rights; 3) Supporting forest conservation programs; 4) Forest certification; 5) Transparency and traceability; 6) Reducing greenhouse gas footprint; 7) Reducing pollution.</li> <li>c. Pulp supplier source compliance assessments include: 1) Verifying whether raw material sourcing areas involve ancient and endangered forests/High Conservation Value forests using ForestMapper; 2) Verifying whether the supplier is low-risk in the Dissolving Pulp Mill Classification Tool; 3) Verifying traceability claims publicly available on the supplier's official website; and 4) Verifying whether the supplier sources from other controversial sources.</li> <li>d. Document review: The supplier provides wood chip procurement documents to verify the compliance of its raw material sources</li> <li>e. Field verification</li> <li>f. Review history result of similar material.</li> </ol> <p>All suppliers would be categorized into 4 categories:</p> <p>Red: Raw material source involves ancient and endangered forests (suspension of cooperation)  Yellow: Raw material source is potentially controversial (requires signing of a rectification commitment letter)  Green: Source is fully compliant (priority procurement)</p>
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	<p>No Known Risk: Not included in the Dissolving Pulp Mill Classification Tool (encourage supplier communication with Canopy)</p> <p>The company strictly implements the &lt;Yibin Grace Group Co., Ltd. Supplier Management General Principles&gt; to supervise and control suppliers and implement the survival of the fittest.</p> <p>If pulp suppliers' products and services do not meet Canopy's requirements and the Forest Protection Fiber Procurement Policy, the suppliers will be required to take immediate mitigation measures (with a one-year deadline, during which procurement will be suspended); if the suppliers fail to take appropriate measures, procurement will be terminated immediately.</p> <p>The procedure is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>Mr. Song Wei, Deputy General Manager of the Corporate Group has the overall responsibility for sourcing policy implementation. Mr. Cheng Xiaojun and Ms. Wang Run, who are the Purchase Manager and responsible for practicing the detailed sourcing requirements to suppliers.</p> <p>They are required to sign a commitment letter on the compliance of policy implementation. A signed letter sample was provided during the audit.</p> <p>An organizational structure chart was provided during audit for all three mills, and it's seen that 9 departments/divisions involved in the implementation of the policy, including Wood Pulp Division, Sustainability Division, Environment department, R&amp;D, Product and Quality Control, etc.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met</p>

	<p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>An organizational structure chart was provided during audit for all three mills, and it's seen that 9 departments/divisions involved in the implementation of the policy, including Wood Pulp Division, Sustainability Division, Environment department, R&amp;D, Product and Quality Control, etc.</p> <p>During the audit, the interviews of Mr, Song Wei Deputy General Manager of the Corporate Group, Mr, Chen Yongjun General Manager, Sichuan Grace Fibre Technology, Co., Ltd, Mr Hu Xiaodong (General Manager, Yibin Grace Co., Ltd ), Mr. Xia Changlin (General Manager, Hiest) showed that they were aware of Canopy policy and their responsibility.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company notified suppliers the commitments via emails. Email samples were shared with auditor for review. All supplier and /or their traders had signed the commitment letter confirming the commitment to follow the Company's sourcing policy.</p> <p>According to the Commitment Letter, the pulp suppliers will not source raw materials from controversial sources or endangered places, including species habitat and forests. No GMOs used, not involved in any illegal crimes, not violate the local labor law, the rights of the local community, the workers and the original inhabitants. Procedures have been established to ensure their tier 1 sub-suppliers support the ILO's 'Declaration and Important Principles of Workers' Rights' and their tier 1 sub-suppliers have the same requirements for their subordinate suppliers. The company's pulp procurement policy will be respected and upheld.</p> <p>In the meantime, all suppliers also provided their sourcing policies and/or sourcing statement, just name a few: Arauco, AustroCel Hallin, Cenibra, LD Celulose, CMPC, Sappi Saiccor, and Suzano</p>

<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  During this audit, auditor reviewed all suppliers' contract samples provided by Company, the requirements to implement the Policy was only shown on the contract with LD CELULOSE. Contracts with rest of the suppliers didn't include such requirements, but signed supplementary agreements was provided for the rest of the suppliers which clearly included the requirements to implement the Policy as well as to uphold the international labour organization(ILO) declaration on fundamental principles and rights at work, and require the equivalent of their own suppliers.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The Company has developed and implemented the internal control procedure for dissolving pulp sourcing (code: CYX/QB-2024-11) in triplicate for 3 mills for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company.  Detailed findings please refer to indicator 1.2.</p>
<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The Company has a grievance procedure (file No. C0502_extracted from their FSC COC system SOP), which including scope, responsibility, complaint information collection, complaint handling, time limited (within 3 months), form, etc. The process as below:</p>

	<p>Once the Company receives a complaint, the Trade Department will summarize the information and deliver to Sourcing Department and give feedback to complainant within two weeks. The relevant business department will need to finish root cause analysis, propose and raise the corrective action within three months. Appropriate corrective actions should be carried out, relevant records should be kept. After the complaint addressed, the result also needed to be passed on to the complainant.</p> <p>The company and all three mills are all FSC COC certified which ensures a grievance system is in place.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  No complaints have been received, and no non-conformities have yet been recognized during the time scope of this audit.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The company conducted several trainings related to Canopy and its requirements between January and June 2025. Training records were provided to the auditor.</p> <p>The interview with. Song Wei Deputy General Manager of the Corporate Group , Mr, Chen Yongjun General Manager, Sichuan Grace Fibre Technology, Co.,Ltd, Mr Hu Xiaodong (General Manager, Yibin Grace Co., Ltd ), Mr. Xia Changlin (General Manager, Hiest) demonstrated they are fully aware of the policy and are able to explain to the auditor how they should implement the policy.</p>
<p>1.11 Each production site managers have developed procedures to implement the Policy, when relevant.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met</p>

	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> <p>The Company has developed and implemented the internal control procedure for dissolving pulp sourcing (code: CYX/QB-2024-11) in triplicate for 3 mills for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company. Please refer to indicator 1.2.for more details.</p>
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**Summary:**

The Company has developed and published a fibre sourcing policy for the implementation of Canopy requirements.

The Company notified all suppliers the commitments via emails. Email samples were shared with auditor for review. All supplier and /or their traders had signed the commitment letter confirming the commitment to follow the Company’s sourcing policy. In the meantime, some suppliers also provided their sourcing policies and/or sourcing statement.

The company has included requirements to implement policy in purchase contract with LD CELULOSE. For the rest of suppliers, although the contracts didn’t include such requirements. Supplementary agreements were signed and provided which contained the requirement on the Canopy sourcing policy.

The Company has developed the internal control procedure for its implementation of Pulp Procurement Policy.

Organizational structure was established, and individual responsibilities were assigned to ensure the implementation. The training records of implementing of policy were provided. The interview with management team and key managers confirms that they are aware of the policy and are implementing it.

The Company has established non-conformance and grievance procedure, which including scope, responsibility, complaint information collection, complaint handling, time limited (within 3 months), form, etc.

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

Indicators	Findings
2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> The company has identified all raw material inputs by volume as required. The company provided the sourcing information form which includes information such as suppliers’ info (including trader), percentage of total input from each pulp supplier, species info, forest origin (up to regional / country level), volume info, certification status of purchased pulp, output product name, etc.</p>

	<p>For pulp suppliers: (Sappi, CPMC [Guaiba, Brazilian mill and Chilian mill], Cenibra, Susano, and Arauco), they all supplied pulp to Yibin Grace Co., Ltd and/or Sichuan Grace Technology (this mill is the one under audit for this reporting period). <b>Although the company declared that all those pulps were purchased as either FSC Mix certified or FSC Controlled Wood claimed, the cross checking over the samples from those suppliers cannot verify against the declaration. Details, please refer to indicator 4.2.</b></p> <p>The raw material includes dissolving pulp, recycled cotton pulp.</p> <p>From 1<sup>st</sup> May 2024 to 30<sup>th</sup> April 2025, Company purchased a total of 441,600 tons pulp from 8suppliers.</p> <p>The company provided the sourcing information form which includes information for all suppliers, such as pulp mill name, volume and percentage from each pulp supplier, species info, country of origin or sub-country and certification status of purchased pulp.</p> <p><i>Note:</i> <i>The regular viscose fiber product produced within this reporting period also contains bamboo pulp. Since the procurement on the bamboo pulp is out of the reporting period, therefore, it's not required to be declared on the sourcing info for the bamboo pulp.</i></p>
<p>2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The company conducted the risk assessments for all suppliers within the reporting period by combining the information collected from suppliers, using ForestMapper as well as the Dissolving Pulp Classification Tool to define whether there are A&amp;E forests involved in sourcing.</p> <p>Regarding whether there are other controversial sources supplied, all suppliers provided written commitment letters on respect and uphold the requirements not to source from other controversial sources such as no GMO species to be used, no illegal activities were carried out, no violations of local labor laws, and no violations of the rights of local communities, workers, and indigenous peoples were infringed. Some suppliers also provided their related policies, code of conducts, sustainable reports as supporting documents. The company used CPI score as a supporting tool to evaluate the legality related risks from each sourcing country. However, no specific description on how to evaluate and verify if there are pulp/wood sourced from sources where GMO species is involved or not, whether there is forest conversion occurred, whether human rights are respected and upheld.</p> <p>The risk assessment results for all suppliers are provided to the auditor.</p>

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

**Conformance with Indicator:**

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

**Description of the finding:**

All pulp suppliers are disclosed in the Sourcing Information Form for this reporting period.

Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info.

Below is a summary on the supply chain disclosure.

Arauco:

Sourcing map provided, and by using the ForestMapper, it's seen there are A&E forests overlapped in the provided region

Cenibra:

Sourcing map and a harvesting permit issued in 2022. Through overlapping with ForestMapper, there might be Ancient and Endangered forests overlapped)

CMPC:

Wood origin for Guaiba BEKP (Bleached Eucalyptus Kraft Pulp) from 2022 is provided at a district level (35 districts) from Brazil. Out of all those districts, 6 of them are sampled by auditor using ForestMapper to check if there are A&E forests overlapped. There are no A&E forests detected from the 6 sampled districts.

3 harvesting permits are provided as well from 2020 and 2021 in Brazil. Auditor also checked on the regional level by using the ForestMapper and no A&E forests are detected.

Another 3 plantation applications are provided from 2021 and 2022 in Chile. Auditor also checked on the community level by using the ForestMapper and no A&E forests are detected.

LD Celulose:

Sourcing map is provided. No specific forest info available, and by using ForestMapper, there are A&E forests detected in that region.

Sappi Saiccor:

No sourcing map provided. But an intro on the forest provided

Suzano:

Sourcing map is provided. No specific forest info available, and by using ForestMapper, there are A&E forests detected in that region.

AustroCel Hallin:

No sourcing map provided

	<p>According to the latest Dissolving Pulp Mill Classification Tool, all suppliers are graded as No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit, except for Suzano, and CMPC Pacifico, as there are no grading for them. In addition, it's not known if the pulp supplied from Arauco is from Valdivia mill where this mill is the only Arauco pulp mill listed as no sourcing issues under the Dissolving Pulp Mill Classification Tool.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>According to the Company, the assessment is updated every year. During the audit this time, the evidence and the assessment for this reporting period was provided to the auditor, it has been shared with Canopy also. The company is also willing to share with the Leaders Group.</p> <p>The company also provided the risk assessment from 2023.</p>
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>Regarding whether there are other controversial sources supplied, all suppliers provided written commitment letters on respect and uphold the requirements not to source from other controversial sources such as no GMO species to be used, no illegal activities were carried out, no violations of local labor laws, and no violations of the rights of local communities, workers, and indigenous peoples were infringed. Some suppliers also provided their related policies, code of conducts, sustainable reports as supporting documents. The company used CPI score as a supporting tool to evaluate the legality related risks from each sourcing country. However, no specific description on how to evaluate and verify if there are pulp/wood sourced from sources where GMO species is involved or not, whether there is forest conversion occurred, whether human rights are respected and upheld.</p>
<p>2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress</p>

<p>system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The Company has published its updated supplier list on its website, including all suppliers used in this reporting period: <a href="https://en.cn-grace.com/resources1.aspx?t=12">https://en.cn-grace.com/resources1.aspx?t=12</a></p>
<p><b>Summary:</b></p> <p>The company provided the sourcing information form which included information such as pulp mill name, volume and percentage from each pulp supplier, species info, and certification status of purchased pulp.</p> <p>Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info.</p> <p>Company tried to evaluate the supply chain risks using additional criteria to complete their risk assessment to evaluated/control the risk of purchasing pulp, including risk of legality, violation of human and conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism etc.</p> <p>The Company had shared the assessment with Canopy, and with permission to share with the Leaders Group.</p> <p>The Company has published its updated supplier list on its website, including the suppliers used for this reporting period.</p>	

3. MMCF supply chain is deforestation free – there is 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 valid FSC certificate.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> All suppliers provided their related policies, code of conduct, sustainability reports on sustainable sourcing, among which :</p> <p style="padding-left: 40px;">LD Cellulose claimed that they are sourcing from land of livestock and agriculture, not plantation converted from natural forest.</p> <p style="padding-left: 40px;">Cenibra: a harvesting permit issued in 2022.</p> <p style="padding-left: 40px;">CMPC:3 harvesting permits are provided as well from 2020 and 2021 in Brazil.</p> <p style="padding-left: 40px;">Another 3 plantation applications are provided from 2021 and 2022 in Chile.</p> <p>There are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied</p>

	<p>to the company. There are also pulp traded with unclear certificate status. Please refer to indicator 4.2 for detailed findings on pulp with unclear certificate status.</p> <p>This indicator is graded as commitment in progress.</p> <p>Kindly note:</p> <ul style="list-style-type: none"> <li>- The only forest certification which guarantees no conversion after 1994 is FSC 100%.</li> <li>- PEFC certification at the forest level or in the supply chain does not preclude material originating from plantations that were established prior to 1994.</li> <li>- FSC controlled wood does not necessarily exclude material originating from plantations established after 1994.</li> <li>- FSC Mix Credit pulp, some portion of the supplier's procurement would originate from FSC-certified forests, which meet this requirement. However, some portion would originate from as controlled material, which does not necessarily preclude sourcing from plantations established after 1994.</li> <li>- For the non-certified pulp, no information on origin was provided, therefore there is insufficient evidence to determine that this material does not originate from plantations established after 1994.</li> </ul>
<p><b>Summary:</b> All suppliers provided their related policies, code of conduct, sustainability reports on sustainable sourcing. Since there are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied to the company, this indicator is graded as commitment in progress.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	
Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient &amp; 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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> The Company's policies and procedures incorporate the CanopyStyle framework definitions of ancient and endangered forests, intact forests, and controversial sources.</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</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met</p>

Canopy, with permission to share Leaders Group.\*\*

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

**Description of the finding:**

The Company's internal risk assessments or supplier evaluation form to all suppliers have included identifying ancient and endangered forests as well as controversial sources requirements.

All pulp suppliers are disclosed in the Sourcing Information Form for this reporting period.

Some suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info.

According to the latest Dissolving Pulp Mill Classification Tool, all suppliers are graded as [No Ancient and Endangered Forest sourcing issues identified based on current information and/or CanopyStyle Audit, except for Suzano, and CMPC Pacifico](#), as there are no grading for them. In addition, it's not known if the pulp supplied from Arauco is from Valdivia mill where this mill is the only Arauco pulp mill listed as no sourcing issues under the Dissolving Pulp Mill Classification Tool.

[. Please refer to indicator 2.3 for more details.](#)

Regarding whether there are other controversial sources supplied, all suppliers provided written commitment letters on respect and uphold the requirements not to source from other controversial sources such as no GMO species to be used, no illegal activities were carried out, no violations of local labor laws, and no violations of the rights of local communities, workers, and indigenous peoples were infringed. Some suppliers also provided their related policies, code of conducts, sustainable reports as supporting documents. The company used CPI score as a supporting tool to evaluate the legality related risks from each sourcing country. However, no specific description on how to evaluate and verify if there are pulp/wood sourced from sources where GMO species is involved or not, whether there is forest conversion occurred, whether human rights are respected and upheld.

Auditor sampled 3-6 sets of purchasing documents from each pulp supplier (using the square root method based on the procurement order numbers) and below are the findings:

- LD Cellulose supplied FSC Mix Credit certified pulp to Yibin Hiest Fibre

	<ul style="list-style-type: none"> <li>- AustroCel Hallin provided both PEFC Controlled Sources claimed pulp as well as non-certified pulp to Yibin Hiest Fibre</li> <li>- For the rest of the suppliers ( Sappi, CPMC [Guaiba, Brazilian mill and Chilian mill], Cenibra, Susano, and Arauco), they all supplied pulp to other 2 mills (Yibin Grace Co., Ltd and/or Sichuan Grace Technology). <b>Although the company declared that all those pulps were purchased as either FSC Mix certified or FSC Controlled Wood claimed, the cross checking over the samples from those suppliers cannot verify on the declaration.</b> Yibin Hiest Fibre conducted the purchasing for other 2 mills, the trade and transport documents can link from the pulp suppliers ( either pulp mills or their agents) to Yibin Hiest with relevant FSC info, however, after Yibin Hiest imported the pulp, the pulp will not directly be sold to other 2 mills, and instead, the pulp will be circulated for multiple times. Along with the internal circulation:             <ol style="list-style-type: none"> <li>1. the invoices provided cannot be matched the sampled purchase orders (e.g. Hiest imported 5 branded pulp, but only sold 2 branded pulp to Yibin Grace Textile Trade, and then Yibin Grace Textile Trade sold other 3 branded pulp to Yibin Grace Group).</li> <li>2. In addition, the FSC chain of custody is broken ( e.g. sometimes, the invoice lacks relevant FSC claim, sometimes, there are no FSC info shown on the invoices). Auditor is not able to cross check the invoices for the circulations of the pulp for the other 2 mills.</li> <li>3. Lastly, once the pulp circulated to Yibin Grace Group Co.,Ltd, the Group Co.,Ltd changed the pulp name into their own internal code, which made auditor not be able to recognize which branded pulp were circulated to the next tiers. <b>Therefore, although the pulp circulated into the other 2 mills (Yibin Grace Co.,Ltd and Sichuan Grace Technology) were shown as FSC Mix certified, the FSC chain</b></li> </ol> </li> </ul>
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	<p>of custody was broken along the way. The FSC status of those pulp is unclear. So the certificate status of Sappi, CPMC [Guaiba, Brazilian mill and Chilean mill], Cenibra, Susano, and Arauco cannot be verified against what the company declared in the sourcing information form, which result to the conclusion that for those pulps, it's not able to assess whether there are sourcing from other controversial sources.</p> <p>In addition, Arauco, CMPC have had conflict with local and Indigenous communities in Chile due to logging and plantations on their customary lands.</p> <p>For Suzano, there are multiple reports of longstanding conflict between Suzano and local communities related its plantation operations in Brazil. Therefore accurate chain of custody information is especially important for these suppliers.</p> <p>The grading for this indicator is Commitment in Progress.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <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><b>Description of the finding:</b>  The policy was signed and adopted outside of the reporting period.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the organize is in non-compliance with national and international laws.</p>

	<p>The company holds a number of third-party certificates, most of which cover the compliance with applicable law, including:</p> <ul style="list-style-type: none"> <li>• FSC Chain of Custody[PBN-COC-052139]</li> <li>• OEKO-TEX STeP</li> <li>• OEKO-TEX® testing and certification system,</li> <li>• Textile Exchange</li> <li>• Business Social Compliance Initiative,</li> <li>• Quality management certificate,</li> <li>• Environment Management System,</li> <li>• RCS Scope Certificate</li> <li>• EU BAT</li> <li>• Higg Certificate, etc.</li> </ul>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has conducted internal risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources.</p> <p>However, not all suppliers can be verified as low risk. Note findings from 4.1-4.4 above.</p>
<p><b>Summary:</b></p> <p>The MMCF producer has adopted clear definitions for the terms included in their Policy. Before the policy adopted, there were no pulp purchased from verified A&amp;E forests and/or other controversial sources by the company.</p> <p>The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.</p> <p>The company has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. However, not all suppliers can be verified as low risk in terms of not sourcing from other controversial sources. Detailed findings please refer to indicator 2.2 ,2.3 and 4.2.</p>	

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

Indicators	Findings
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p>

	<p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The company has identified all raw material inputs by volume as required. The company provided the sourcing information form which includes information such as suppliers' info (including trader), percentage of total input from each pulp supplier, species info, forest origin (up to regional / country level), volume info, certification status of purchased pulp, output product name, etc.</p> <p>All pulp suppliers are disclosed in the Sourcing Information Form for this reporting period. The Company's dissolving pulp supplier list was provided and shared.</p> <p>Some pulp suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info. Details, please refer to indicator 2.3 and 4.2</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> Based on the internal control procedure for dissolving pulp sourcing for the implementation of Pulp Procurement Policy_ the <i>Purchasing and external supplier control procedures</i> (code: CYX/QB-2024-11), where the suppliers are subject to the monitoring and evaluation from the company.</p> <p>All suppliers would be categorized into 4 categories:</p> <p>Red: Raw material source involves ancient and endangered forests (suspension of cooperation)  Yellow: Raw material source is potentially controversial (requires signing of a rectification commitment letter)  Green: Source is fully compliant (priority procurement)  No Known Risk: Not included in the Dissolving Pulp Mill Classification Tool (encourage supplier communication with Canopy)</p>

	<p>The company strictly implements the &lt;Yibin Grace Group Co., Ltd. Supplier Management General Principles&gt; to supervise and control suppliers and implement the survival of the fittest.</p> <p>If pulp suppliers' products and services do not meet Canopy's requirements and the Forest Protection Fiber Procurement Policy, the suppliers will be required to take immediate mitigation measures (with a one-year deadline, during which procurement will be suspended); if the suppliers fail to take appropriate measures, procurement will be terminated immediately.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  During the period of audit, no non-conformance has been found by the company.</p>
<p><b>Summary:</b></p> <p>The company has identified all raw material inputs by volume as required. The supply chain maps are not fully disclosed. Some pulp suppliers disclosed their forest level info to a detailed manner where sourcing areas are identified, some disclosed up to sub-regional/country level, some didn't reveal their forest level info.</p> <p>Based on the internal control procedure for dissolving pulp sourcing for the implementation of Pulp Procurement Policy_ the <i>Purchasing and external supplier control procedures</i> (code: CYX/QB-2024-11), where the suppliers are subject to the monitoring and evaluation from the company. The procedure is composed of several segments including management on non-compliance as well as Complaints Handling Procedure.</p> <p>During the period of audit, no non-conformance has been found by the company.</p>	

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

\*If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)

Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</p>

<p>during this verification process. **</p>	<p> <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><b>Description of the finding:</b>          The management confirmed Leaders group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. This indicator is graded as “Not Applicable” due to the fact that no such practice has happened to date.</p>
<p>6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>          This indicator is only required when the company’s sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>          This indicator is only required when company’s sourcing has been verified as coming from areas where there is record of conflict or human rights violations.</p>
<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation 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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>          This indicator is only required when company’s sourcing has been verified as key</p>

	priority areas of ancient and endangered forests.
<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  This indicator is only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>
<p><b>Summary:</b>  The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely.  Indicator 6.2-6.5 are only required when company's sourcing has been verified as key priority areas of ancient and endangered forests.</p>	

<p><b>7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector</b></p> <p><i>Note: This audit focuses on only on forest sourcing and wood-based pulp production. We recognize that there are other issues of concern and interest that are beyond the scope of this risk verification audit. Additional actions will be required by brands, retailers and MMCF producers to adequately address and verify health and safety, working conditions, labour practices, equity and discrimination at mill sites.</i></p>	
<p><b>Indicators</b></p>	<p><b>Findings</b></p>
<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities affected by forest operations.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.</p> <p>All pulp suppliers and/or traders have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>Besides, supplementary agreements have been sided with all pulp supplier and/or traders</p>

	<p>except LD Cellulose. In the supplementary agreements, pulp suppliers agreed to uphold ILO's declaration on fundamental principles and rights at work, and will require the equivalent of their own suppliers. LD Cellulose already included this requirement in their contracts with the company.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>All suppliers provided their related policies/code of conduct/sustainability reports on their efforts in recognize and respect human rights, community rights, First Nations rights and rights of workers.</p> <p>All pulp suppliers and/or traders have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>Besides, supplementary agreements have been sided with all pulp supplier and/or traders except LD Cellulose. In the supplementary agreements, pulp suppliers agreed to uphold ILO's declaration on fundamental principles and rights at work, and will require the equivalent of their own suppliers. LD Cellulose already included this requirement in their contracts with the company.</p> <p>There are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied to the company. There are also pulp traded with unclear certificate status. Please refer to indicator 4.2 for detailed findings on pulp with unclear certificate status.</p> <p>There is no disclosure on all forest(s) level suppliers' information.</p> <p>The FSC certification, including the FSC Controlled Wood standard, contains FSC Core ILO requirements and association policy, which can partially cover these requirements. Holding an FSC-COC certification alone is insufficient to document conformance with this commitment. Only FSC 100% certification fully meets these requirements.</p> <p>This indicator is graded as commitment in progress.</p>

<p>7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The Company and all three mills are FSC - CoC certified and also has a public grievance operation procedure to accept and handle complaints contained in the internal control procedure.</p> <p>There is no disclosure on all forest(s) level suppliers' information.</p> <p>There are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied to the company, and for non-certified pulp, there is not any guarantee the upstream suppliers are implementing this requirement.</p> <p>There are also pulp traded with unclear certificate status. Please refer to indicator 4.2 for detailed findings on pulp with unclear certificate status.</p> <p>What's more, for Arauco, CMPC have had conflict with local and Indigenous communities in Chile due to logging and plantations on their customary lands.</p> <p>For Suzano, there are multiple reports of longstanding conflict between Suzano and local communities related its plantation operations in Brazil.</p> <p>The grading for this indicator is Commitment in Progress.</p> <p>Note: FSC COC certification and FSC Controlled Wood source (including forest managers) require relevant companies to have such a mechanism for their scope.</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The company and its three mills hold valid FSC Chain of Custody certificate which require the certificate holders to avoid violation of any ILO Core Conventions, as</p>

	<p>defined in the ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>A workers' union has been established within the company to protect the rights of workers. During auditing, auditor sampled related procedure on workers' rights protection.</p> <p>All suppliers provided their related policies/code of conduct/sustainability reports on their efforts in recognize and respect human rights, community rights, First Nations rights and rights of workers.</p> <p>All pulp suppliers and/or traders have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>Besides, supplementary agreements have been sided with all pulp supplier and/or traders except LD Cellulose. In the supplementary agreements, pulp suppliers agreed to uphold ILO's declaration on fundamental principles and rights at work, and will require the equivalent of their own suppliers. LD Cellulose already included this requirement in their contracts with the company.</p> <p>There are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied to the company. There are also pulp traded with unclear certificate status. Please refer to indicator 4.2 for detailed findings on pulp with unclear certificate status.</p> <p>There is no disclosure on all forest(s) level suppliers' information.</p> <p>Since there are non-certified pulp supplied to the company, and there is not any guarantee the upstream suppliers are implementing this requirement. This indicator is graded as Commitment in Progress.</p> <p>Note: FSC COC certification and FSC Controlled Wood source (including forest managers) require relevant companies to sign the policy for association is a declaration by the company that they are not involved in directly or indirectly with the activities that can violate workers' rights; for PEFC certificate, it also requires to recognize and respect the rights of the workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p>

<p>(ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The company and its three mills hold valid FSC Chain of Custody certificate which require the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>All suppliers provided their related policies/code of conduct/sustainability reports on their efforts in recognize and respect human rights, community rights, First Nations rights and rights of workers.</p> <p>All pulp suppliers and/or traders have signed a commitment letter that includes a commitment to implement FPIC of indigenous people and local communities.</p> <p>Besides, supplementary agreements have been sided with all pulp supplier and/or traders except LD Cellulose. In the supplementary agreements, pulp suppliers agreed to uphold ILO's declaration on fundamental principles and rights at work, and will require the equivalent of their own suppliers. LD Cellulose already included this requirement in their contracts with the company.</p> <p>There are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied to the company. There are also pulp traded with unclear certificate status. Please refer to indicator 4.2 for detailed findings on pulp with unclear certificate status.</p> <p>There is no disclosure on all forest(s) level suppliers' information.</p> <p>Since there are non-certified pulp supplied to the company, and there is not any guarantee the upstream suppliers are implementing this requirement. This indicator is graded as Commitment in Progress.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MCMF producer's forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p>

	<p>Recognition and respect for human rights is included in the Company's policy. This indicator is also a summary requirement of 7.2-7.5 and therefore is graded as Commitment in progress</p>
<p><b>Summary:</b></p> <p>The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.</p> <p>The company and its three mills hold valid FSC Chain of Custody certificate which require the certificate holders to avoid violation of any ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>There are FSC Mix certified, PEFC Controlled Sources as well as non-certified pulp supplied to the company. There are also pulp traded with unclear certificate status. Please refer to indicator 4.2 for detailed findings on pulp with unclear certificate status.</p> <p>There is no disclosure on all forest(s) level suppliers' information.</p> <p>Since there are non-certified pulp supplied to the company, and there is not any guarantee the upstream suppliers are implementing this requirement.</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>1, The company launched a project named T2T (Textile 2 Textile) which refers to make use of recycled pulp and/or generalize waste textile (both pre-and post-consumer) to produce into pulp and then finally into viscose fiber starting from Nov 2022. During this reporting period, for recycled pulp, the company is using pulp from Circ and Circulose. The project is still undergoing and with no completion date.</p> <p>During the audit, for using of waste textile to produce pulp and viscose fiber, the company estimated that the pulp production in 2025 will</p>

	<p>reach 350 tons, which is equivalent to 1,000 tons of fiber production. In addition, the company also work with Circ and Circulose to trial on producing fiber products. For Circ, the company planned to produce 20kg fiber using recycled pulp from Circ. And it's also estimated to produce 20-50kg lyocell fiber (filament yarn) using Circulose pulp [30% recycled pulp (using circulose pulp or recycled pulp produced by the company itself using recycled textile) + 70% dissolving pulp].</p> <p>The company also planned to purchase 2,000 ton Circulose pulp and produce 40,000 ton staple fiber by mixing with regular wood pulp (5% Circulose pulp + 95% dissolving pulp).</p> <p>2, The company is also using FSC certified bamboo pulp to mix with dissolving pulp to produce lyocell fiber (staple fiber) [37% bamboo pulp, 63% dissolving pulp]. During this reporting period, 224 ton of bamboo pulp has been used and 525 ton of lyocell fiber were manufactured. The plan is to increase the bamboo pulp to 50% for production in the future.</p> <p>3, The company had developed on chitin/chitosan biomedical regenerated fibers project. This project uses renewable biomass chitin/chitosan as raw material, employing a safe, environmentally friendly, and non-toxic "green" solvent system. Through a low-temperature dissolution-regeneration method, the project aims to develop and utilize chitin/chitosan to produce biomedical regenerative fiber materials with antibacterial, hemostatic, tissue-compatible, and biodegradable properties.</p>
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	<p>Due to its biodegradability, biocompatibility, and bio-functionality, chitin/chitosan fibers have a wide range of applications in textiles, medical sutures, medical dressings, antibacterial and antimicrobial materials, hemostatic materials, and moisturizing materials. This project started from Apr 2022 and completed in Nov 2023.</p> <p>4, The company has been investing in R&amp;D on seaweed aerogel fiber technology. Seaweed fiber, which is prepared from alginate separated from marine brown algae, has become another marine green bio-source fiber with great development potential after chitosan fiber. About 600g~750g of seaweed fiber raw materials can be obtained per square meter of seawater, and the output of prepared seaweed fiber is equivalent to the output of 5 m<sup>2</sup>~10 m<sup>2</sup> of land fiber. As the world accelerates its efforts to achieve carbon peak and carbon neutrality, seaweed fiber, due to its abundant supply, , and excellent performance, is poised to become a popular choice as a base material for textile and apparel products. Seaweed aerogel fiber offers superior performance compared to seaweed fiber, including improved warmth retention and lightweight properties, and holds great promise for future development. This project started from Aug 2024 and is estimated to be able to verify its project performance and result by Dec 2025. From May – Jul 2025,</p>
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	<p>the company had sold about 100kg of seaweed fiber.</p> <p>For both seaweed fiber and chitosan fiber, the company is preparing for some relevant certifications, but no certificates are obtained yet.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> <b>Please refer to 8.1 for detailed findings.</b></p> <p>The R&amp;D phase of some projects are still going on and not all alternative fibers have been put into commercial scale production and sales phase :</p> <p style="padding-left: 40px;">Projects that are completed with R&amp;D: Chitosan fiber and Seaweed fiber.</p> <p style="padding-left: 40px;">Projects that haven't entered into commercial scale: Chitosan Fiber and Lyocell fiber containing bamboo pulp</p> <p>For the T2T project where the company started from Nov 2022, a commercial scale phase has been entered.</p>
<p><b>Summary:</b> The company has been working on several projects related to the development of next generation fiber. The R&amp;D phase of some projects are still going on and not all alternative fibers have been put into commercial scale production and sales phase</p>	

9. Voluntary Advocacy for conservation solutions	
Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p>

	<p><b>Description of the finding:</b> The company has been attending or participating in series of events/workshops/visits that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.</p> <p>During the audit, track records were provided, such as:</p> <ul style="list-style-type: none"> <li>Shanghai International Carbon Neutrality Technology, Products and Achievement Expo. June 07, 2024, Shanghai, China</li> <li>Canopy Next Gen Fiber workshop, June 28, 2024, Yantai, Shandong, China</li> <li>Sustainable Textile Forum held by FSC, Aug 27, 2024, Shanghai, China</li> <li>Receiving Canopy’s visit, Jun 18, 2024, Yibin, Sichuan, China</li> <li>Meeting with Canopy during Yarn Expo, Aug 2024, Shanghai, China</li> <li>Receiving Circluse visit at the company, Dec 18, 2024, Sichuan, Yibin, Sichuan, China</li> </ul>
<p>9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities.**</p>	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Not Applicable</li> <li><input type="checkbox"/> Commitment Met</li> <li><input type="checkbox"/> Commitment in Progress</li> <li><input type="checkbox"/> Commitment Not Met</li> <li><input type="checkbox"/> Insufficient Information Available</li> </ul> <p><b>Description of the finding:</b> During this audit, no solid evidence provided for this indicator. In addition, the company is not prompted during this audit period.</p>
<p>9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p><b>Conformance with Indicator:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Not Applicable</li> <li><input checked="" type="checkbox"/> Commitment Met</li> <li><input type="checkbox"/> Commitment in Progress</li> <li><input type="checkbox"/> Commitment Not Met</li> <li><input type="checkbox"/> Insufficient Information Available</li> </ul>

	<p><b>Description of the finding:</b></p> <p>The company has donated to support below project:</p> <p>"Green Rivers" is the abbreviation of Sichuan Green Rivers Environmental Protection Promotion Association. It was established in 1995. It is a Chinese non-governmental environmental protection organization approved by the Sichuan Provincial Environmental Protection Department and officially registered with the Sichuan Provincial Civil Affairs Department.</p> <p>The purpose of "Green Rivers" is to promote and organize natural ecological environment protection activities in the upper reaches of rivers, promote the development of natural ecological environment protection work among Chinese people, enhance the environmental awareness and environmental ethics of the whole society, and strive to achieve sustainable social and economic development in the basin.</p> <p>Its main tasks are: to establish a natural ecological environment protection station in the upper reaches of the Yangtze River; to organize scientists, journalists, domestic and foreign environmental protection groups and environmental volunteers to conduct a series of scientific investigations on the ecological environment in the upper reaches of the Yangtze River, put forward practical suggestions, and promote their implementation; to publish texts, art and audio-visual works to promote ecological environment protection; to carry out mass environmental protection activities and international academic exchanges on ecological environment protection.</p> <p>The company also signed the letter to the COP30 calling for actions to support nature protection and climate resilience.</p>
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**Letter to Minister Marina Silva, Environment and Climate Change (Melo Ambiente e Mudança do Clima/MMA)**

致巴西环境与气候变化部长玛丽娜·席尔瓦

From Yibin Grace Group Co., Ltd  
宜宾丝丽雅集团有限公司

Dear Minister Silva,  
尊敬的席尔瓦部长：

As leaders in the global textile sector, we are writing ahead of COP30 to urge world leaders to take bold and immediate action to support nature protection and climate resilience — with a particular focus on forest conservation and increased investment in nature-based solutions. 在联合国气候变化框架公约缔约方大会第三十届会议来临之际，我们作为全球纺织行业的领军企业，向您致函呼吁全球领导者尽快采取大胆的举措，支持自然保护和气候韧性的建设，特别是推动森林保护、加大投入以自然为基础的解决方案。

As participants in the CanopyStyle Initiative, we are committed to avoiding sourcing fibre from Ancient and Endangered Forests, and to reducing our reliance on virgin forest fibre by using recycled and Next Gen alternatives (including discarded textiles and agricultural residues) instead. More than 550 fashion and textile brands, representing over \$1 Trillion in annual revenue, have also committed to purchasing man-made cellulosic fibres (MMCF), such as viscose, rayon and lyocell, that meet these sustainability criteria.

作为 CanopyStyle 倡议的参与者，我们致力于淘汰来自原始濒危森林的原材料，通过利用回收材料和下一代替代性材料（包括废旧纺织品和农业废弃物），减少对原生木浆的依赖。总营收超过一亿美元的 550 多家时尚品牌商也承诺只采购满足可持续标准的再生纤维素纤维，包括粘胶纤维、人丝、莱赛尔纤维。

We strongly support conservation efforts that safeguard what remains of the world's rare and irreplaceable forests. These ecosystems are critical to addressing the twin crises of climate change and biodiversity loss — and building supply chain resilience. 我们强烈支持针对全球尚存的稀有、不可替代森林的保护工作。这些生态系统对我们应对气候变化和生物多样性损失的双重危机至关重要，有助于建立供应链的韧性。

Four years ago, at COP26, 145 countries pledged to halt and reverse deforestation by 2030. Yet, nature loss continues largely unchecked. With Brazil hosting COP30 in Belém — in the heart of the Amazon — this summit represents a historic opportunity to change course. But realizing that potential will require urgent and united action.

四年前，第 26 届联合国气候变化大会上，145 个国家承诺到 2030 年结束并逆转毁环森林。然而，毁林行为依然猖獗。第 30 届联合国气候变化大会将在亚马逊雨林腹地——巴

西贝伦举行，该峰会将是促进变革的历史性机遇。为了抓住这一机遇，我们亟需众志成城，采取一致的行动。

We urge the leadership of COP30 to advance the following priorities:  
我们呼吁第 30 届气候变化大会的领导者推进以下重要议题：

**1. Support innovative financial mechanisms  
支持创新性金融机制**

Forests are not peripheral — they are essential infrastructure for climate stability and economic resilience. As textile producers, we depend on natural ecosystems for raw materials, water, and supply chain continuity. At COP29, nations pledged \$300 million per year for climate action in developing countries — just a fraction of the \$1.3 trillion requested. Moreover, nature-based solutions currently receive only 3% of global climate finance. This must change if we are to succeed in tackling the aforementioned twin crises. Additionally, capital needs to be mobilized to unlock the infrastructure needed to scale circular Next Gen alternatives to forest-based products. We urge you to scale up funding for nature and circular production and support the development of innovative financial mechanisms.

森林不是可有可无的，森林是维系气候稳定、保障经济韧性的重要基础设施。作为纺织业生产商，我们依赖自然生态为产业提供原材料、水资源，自然是供应链持续运转的基础。在第 29 届联合国气候变化大会上，各国承诺每年在发展中国家投资 3 亿美元，用于气候行动。这仅是总需求 1.3 万亿的一小部分。目前，以自然为基础的解决方案只获得了 3% 的全球气候融资。对此，我们必须做出转变，才能成功应对上述双重危机。此外，我们还需盘活资本，建设必要的基础设施，扩大循环下一代材料在森林产品中的应用。我们呼吁各方扩大自然和循环生产的投资，支持建设创新性金融机制。

**2. Prioritize nature-based solutions in national commitments  
在各国承诺中强调以自然为基础的解决方案**

Forests, land, and ecosystems must be fully integrated into countries' Nationally Determined Contributions (NDCs), aligned with the Glasgow Leaders' Declaration. But COP30 must also go further — we call on the COP leadership to forge bold international agreements that move beyond the predictable and drive transformative cooperation in the climate arena.

森林、土地、生态系统必须纳入各国的国家自主贡献(NDCs)，并符合《格拉斯哥领袖的森林与土地使用宣言》。第三十届气候变化大会应再进一步——我们呼吁气候变化大会的领导者达成大胆的、超越可预期范畴的国际协议，推动各界在气候领域变革性的合作。

**3. Recognize Indigenous rights and leadership  
认可原住民权利和领导力**

	<p>A rights-based approach to conservation must include the recognition of Indigenous People and Local Communities (IPLC) land tenure and the upholding of Free, Prior, and Informed Consent (FPIC). Indigenous People and Local Communities (IPLC) steward vast areas of the world's remaining forests yet remain underrepresented in climate finance and decision-making. COP30 must deliver legal recognition of Indigenous land rights — not as symbolism, but as a fundamental pillar of climate and biodiversity policy.</p> <p>以权利为基础的保护方案必须涵盖认可原住民和当地社区的土地使用权，并维护自由、实现、知情同意。原住民和当地社区管理着大量的森林面积，却获得极少的气候融资和决策影响力。第三十届气候变化大会必须为原住民的土地权利给予法律认可——这不是象征性的认可，而应成为气候和生态多样性政策的基础支柱。</p> <p>As businesses that depend on natural resources, we want to ensure our decisions contribute to solving the climate crisis and protecting the world's most vital forest ecosystems. We are ready to do our part — by shifting sourcing practices, investing in innovation, and working toward circularity in a timely manner.</p> <p>作为依赖自然资源的企业，我们会确保我们的决策有助于应对气候危机、保护全球最重要的森林生态系统。我们已准备好做出应有的贡献，转变采购行为，投资创新材料，稳步推进循环生产。</p> <p>We respectfully ask that you match this ambition with strong, enforceable commitments at COP30 that prioritize forests, finance, and frontline leadership. We wish you every success in achieving an ambitious outcome at COP30 — one that will secure nature's future and chart a sustainable path for generations to come.</p> <p>我们恳请您在第三十届联合国气候变化大会上推动强有力的、可执行的承诺，强调森林保护、金融机制、原住民领导力。祝愿您在 COP30 会议中如愿实现变革性的成果，进一步保障自然生态的未来，为子孙后代奠定可持续发展的基础。</p> <p>Sincerely,        谨启        Hubo        胡波        Chairman        董事长        Yibin Grace Group Co., Ltd.        宜宾丝丽雅集团有限公司</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><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>        Not applicable as this indicator is only applicable to MMCF producers who manager forests.</p>
<p><b>Summary:</b>        The company has actively participated in meetings and events. While the organization has asked all suppliers to commit to FPIC of indigenous people and local communities, the company has not yet been prompted to take specific actions.</p>	

10. Responsible forest management	
Indicators	Findings
<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>        The company provided a statement confirming their preference for wood fiber that is certified to FSC.</p>

During last audit back in 2023, the Company provided an action plan to increase FSC intake:

- the target for 2024 is increasing FSC certified material up to 85% of the total procurement.
- target for 2025 is increasing FSC certified material to 90% of the total procurement and more focus will be put on FSC 100% certified material.

Although the company also provided a FSC intake volume comparison for 2023.05-2024.04 and 2024.05 – 2025.04. The comparison shows the total FSC intake had increased for 1.92%. Below is the comparison according to the company. **However, given the procurement data sampling cross-checking for this reporting period, Auditor cannot verify on the declared FSC intake. Details please refer to indicator 4.2.**

FSC Input Volume Summaries template  
FSC 材料统计

Date: June 3, 2025  
日期: 2025 年 6 月 3 日

Company Name: Yibin Grace  
企业名称: 宜宾丝丽雅集团有限公司

Reporting Period: January to December (If any other reporting period, please specify)  
报告期: 一月至十二月 (如有其它报告期, 请具体说明)

Category 类别	2023.05-2024.04		2024.05-2025.04		Increase Rate 增长率
	Volume (Metric Tons) 使用量 (公 吨)	% of Overall Volume Used 占总使用 量的百分 比	Volume (Metric Tons) 使用量 (公吨)	% of Overall Volume Used 占总使用 量的百分 比	
FSC 100%	30800	6.58%	0	0	-6.58%
FSC MIX	356555	76.13%	332900	87.93%	11.8%
FSC Controlled Wood	48200	10.29%	26800	6.99%	-3.3%
<b>Total 总计</b>	<b>435555</b>	<b>93%</b>	<b>359700</b>	<b>94.92%</b>	<b>1.92%</b>

Note: The time period for this review is 2024.05-2025.04, so the comparison is 2023.05-2024.04 vs. 2024.05-2025.04.  
备注: 本次审核时间段为 2024.05-2025.04, 因此对比时间为 2023.05-2024.04 与 2024.05-2025.04。

**Summary:**

The company provided a statement confirming their preference for wood fiber that is certified to FSC.

Although the company also provided a FSC intake volume comparison for 2023.05-2024.04 and 2024.05 – 2025.04. The comparison shows the total FSC intake had increased for 1.92%. However, given the procurement data sampling cross-checking for this reporting period, Auditor cannot verify on the declared FSC intake. Details please refer to indicator 4.2.

11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	
Indicators	Findings
11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The Company has established and implemented a procedure (Supplier GHG emission assessment procedure,) to evaluate suppliers' performance in reducing GHG.  During this audit, all the suppliers provided their annual report, environment and climate policy, and/or sustainability report in which introduction on their efforts in reducing GHG are provided.</p>
11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The company has a procedure (<i>Pulp supplier procurement evaluation procedure-Regarding procurement of tropical peatlands and/or intact forest landscapes</i>) to prevent sourcing from tropical peatlands and/or intact forest landscapes.  The Company states that they prefer to choose those suppliers that are not operating in tropical peatlands and/or intact forest landscapes:</p>

	<p style="text-align: center;"><b>STATEMENT</b></p> <p style="text-align: center;">声明</p> <p>Our company (Yibin Grace Group Co., Ltd.) has a preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. This actively contributes to the maintenance of biodiversity and carbon storage.</p> <p>本公司（宜宾丝丽雅集团有限公司）将优先选择不完整森林景观或退化热带泥炭地经营的供应商，以及确认停止开垦并修复泥炭地和水资源的供应商，积极维护生物多样性和碳储存。</p> <p>Intact forest landscapes worldwide include, but are not limited to:</p> <p>全球完整森林景观包括但不限于：</p> <ol style="list-style-type: none"> <li>1. Amazon Rainforest 亚马逊雨林</li> <li>2. Congo Basin Forest 刚果盆地森林</li> <li>3. New Guinea Rainforest 新几内亚热带雨林</li> <li>4. The Alps 阿尔卑斯山脉</li> <li>5. Northern Forest Complex 泰国北部森林</li> </ol> <p>Drained tropical peatlands worldwide include, but are not limited to:</p> <p>全球退化热带泥炭地包括但不限于：</p> <ol style="list-style-type: none"> <li>1. Indonesia Peatlands 印度尼西亚泥炭地</li> <li>2. Congo Basin Peatlands 刚果盆地泥炭地</li> <li>3. Malaysia Peatlands 马来西亚泥炭地</li> <li>4. Peruvian Amazon Peatlands 秘鲁亚马逊泥炭地</li> </ol> <div style="text-align: right;">  <p>Yibin Grace Group Co., Ltd. 宜宾丝丽雅集团有限公司</p> </div> <p>Although there are FSC certified material supplied to the Company, FSC certified material could be sourced from peatlands and IFLs. In addition, there is non-certified dissolving pulp supplied as well, where the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.</p> <p>Note: FSC FM and CW/FM certifications do not prohibit harvesting in IFLs or from natural forest or plantations established on peatland. IFLs are classified as HCV under FSC and require protection but harvesting is allowed on percentage of area outside defined core areas. Peatland may be classified as HCV in certain contexts and conformance with Principle 9 is required. It can be also the case with FSC COC CW (DDS) to source from Peatlands and IFLs if the country does not prohibit this by legislation. Therefore, the final conclusion is that FSC 100% and FSC CW could be sourced from Peatlands and IFLs if it is not prohibited by the national legislation.</p>
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>Based on the company's sourcing policy, it does not source material originating from</p>

	<p>intact forest landscapes or on drained tropical peatlands.</p> <p>The Company also provided the statement on giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology.</p> <p>The Company also conducted risk assessment for its supply chain for this reporting period, and not operating on these areas was one of the assessment requirements.</p> <p>The company gives preference to the FSC certified pulp and there is FSC certified material supplied to the Company, in addition, the Company is planning to increase the intake of FSC certified pulp.</p> <p>FSC can help reduce the risk/probability of material from intact forest landscapes or on drained tropical peatlands, although there is still possibility that certified material still could be sourced from peatlands and IFLs as FSC gives exemptions (for example, when they are not classified as HCV; the converted area is very limited).</p>
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**Summary:**

The Company has established and implemented a procedure (Supplier GHG emission assessment procedure) to evaluate suppliers' performance in reducing GHG. Company also issued a statement about GHG, which was consistent with its procurement policy.

Although there is FSC certified material supplied to the Company, FSC certified material could be sourced from peatlands and IFLs. In addition, there is non-certified dissolving pulp supplied as well, where the commitment of not sourcing from tropical peatlands and/or IFLs cannot be guaranteed.

12. Pollution Prevention	
Indicators	Findings
<p>12.1 *This verification process <u>will not</u> verify at first hand the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at <a href="https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released">https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</a></p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p><b>The CanopyStyle audit will not report on this indicator.</b></p> <p><b>Other tools such as the Hot Button report will address chemical management starting in 2020.</b></p>

<b>Summary:</b> The CanopyStyle audit will not report on this indicator.  Other tools such as the Hot Button report will address chemical management starting in 2020.	

\*\* Indicates Critical Indicators

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

### 1. Evaluation of Site: Sichuan Grace Fiber Technology Co., Ltd.

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Chen Yongjun, General Manager, Sichuan Grace Fibre Technology, Co.,Ltd
<b>Auditor(s):</b>	Zhou Peiying
<b>People Interviewed, Titles:</b>	Mr. Chen Yongjun, General Manager, Sichuan Grace Fibre Technology, Co.,Ltd Mr. Liu Aibin, R&D Ms. Li Dianhong, Director of Fiber Technology Production Department Mr. Chen Xiaojun, Wood Pulp Division Mr. Wen Gongmin, Warehouse
<b>Brief Overview of Audit Process for this Location:</b>	Please refer to Section 3.3 above for Description of Overall Audit Process.
<b>Comments:</b>	1.This mill is responsible for staple fiber production including lyocell staple fiber. 2.The Company Corporate Office centralizes pulp sourcing but the actual importer for almost all the overseas pulp for this mill is Yibin Hiest Fibre Limited Co., as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. Yibin Grace Import & Export Co., Ltd also purchases pulp for a small proportion. 3. This mill has its own warehouse for pulp storage.

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The company published and updated their Fibre Procurement Policy for Protecting Forests,</p>

	<p>effective 01 January 2023, which is publicly available on its website:</p> <p>EN version: <a href="https://en.cn-grace.com/resources1.aspx?t=12">https://en.cn-grace.com/resources1.aspx?t=12</a></p> <p>CN version: <a href="https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf">https://www.cn-grace.com/Uploadfiles/Files/2023-7-20/2023720177412652.pdf</a></p> <p>The company conducted several trainings related to Canopy and its requirements between January and June 2025. Training records were provided to the auditor.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
<p>1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The Company has developed and implemented the internal control procedure for dissolving pulp sourcing_ <i>Purchasing and external supplier control procedures</i> (code: CYX/QB-2024-11) in triplicate for 3 mills for the implementation of Pulp Procurement Policy, where the suppliers are subject to the monitoring and evaluation from the company.</p> <p>The material from different suppliers is clearly identified at the site with signs.</p>
<p><b>Summary:</b></p> <p>The Fiber Procurement Policy for Protecting Forests, which promotes sustainable forest management and conserves ancient and endangered forests, has been established and made public on the Company's website. Training sessions on related procedures and the Fiber Procurement Policy have been conducted, ensuring that managers are aware of the policy and procedures.</p>	

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

Indicators	Findings
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<p>2.1 The production site/mill maintains all <u>purchase and sales</u>, documentation related to the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The Company Corporate Office centralizes pulp sourcing but the actual importer for almost all the overseas pulp for this mill is Yibin Hiest Fibre Limited Co. as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. Yibin Grace Import &amp; Export Co., Ltd also purchases pulp for a small proportion for this mill.</p> <p>The purchase documents of dissolving pulp are maintained at the Wood Pulp Division which is under the corporate office (HQ).</p> <p>The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b>  The Company Corporate Office centralizes pulp sourcing but the actual importer for almost all the overseas pulp for this mill is Yibin Hiest Fibre Limited Co. as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. Yibin Grace Import &amp; Export Co., Ltd also purchases pulp for a small proportion for this mill.</p>

	<p>The purchase documents of dissolving pulp are maintained at the Wood Pulp Division which is under the corporate office (HQ).</p> <p>The warehouse and production workshop maintain records of receiving and using of pulp from suppliers.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment.</p> <p>As document review, field observation and staff review, 4 pulp suppliers have been supplying, all of which have been included in supplier list and risk assessments.</p>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>During the audit, the company provided the purchase accounting table.</p> <p>Auditor sampled 3-6 sets of purchasing documents from each pulp supplier (using the square root method based on the procurement order numbers) and below are the findings:</p> <ul style="list-style-type: none"> <li>- LD Cellulose supplied FSC Mix Credit certified pulp to Yibin Hiest Fibre</li> <li>- AustroCel Hallin provided both PEFC Controlled Sources claimed pulp as well as non-certified pulp to Yibin Hiest Fibre</li> <li>- For the rest of the suppliers ( Sappi, CPMC [Guaiba, Brazilian mill and Chilian mill], Cenibra, Susano, and Arauco), they all supplied pulp to other 2 mills (Yibin Grace Co., Ltd and/or Sichuan Grace Technology[(this mill is</li> </ul>

	<p>the one under audit for this reporting period).]). <b>Although the company declared that all those pulps were purchased as either FSC Mix certified or FSC Controlled Wood claimed, the cross checking over the samples from those suppliers cannot verify on the declaration.</b> Yibin Hiest Fibre conducted the purchasing for other 2 mills, the trade and transport documents can link from the pulp suppliers ( either pulp mills or their agents) to Yibin Hiest with relevant FSC info, however, after Yibin Hiest imported the pulp, the pulp will not directly be sold to other 2 mills, and instead, the pulp will be circulated for multiple times and the routine goes as Yibin Hiest Fibre – Yibin Grace Textile Trade – Yibin Grace Group Co.,Ltd – Yibin Hiest Fibre – other 2 mills. The invoices provided cannot be matched with the sampled purchase orders (e.g. Hiest imported 5 branded pulp, but only sold 2 branded pulp to Yibin Grace Textile Trade, and then Yibin Grace Textile Trade sold other 3 branded pulp to Yibin Grace Group). In addition, the FSC chain of custody is broken ( e.g. sometimes, the invoice lacks relevant FSC claim, sometimes, there are no FSC info shown on the invoices). Auditor is not able to cross check the invoices for the circulations of the pulp for the other 2 mills. Lastly, once the pulp circulated to Yibin Grace Group Co.,Ltd, the Group Co.,Ltd changed the pulp name into their own internal code, which made auditor not be able to recognize which branded pulp were circulated to the next tiers. <b>Therefore, although the pulp circulated into the other 2 mills (Yibin Grace Co.,Ltd and Sichuan Grace Technology) were shown as FSC Mix certified, the FSC chain of custody was broken along the way. The FSC status of that pulp is unclear.</b></p>
<p>2.5 The production site maintains and can verify a summary of annual purchases (or inputs).</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p>

	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The mill has no sourcing activity of wood pulp. The corporate office's wood and pulp division maintains the records of annual purchase and sales. During the on-site check, auditor sample cross checked the input and output records at the warehouse.</p> <p>For pulp suppliers: (Sappi, CPMC [Guaiba, Brazilian mill and Chilian mill], Cenibra, Susano, and Arauco), they all supplied pulp to Yibin Grace Co., Ltd and/or Sichuan Grace Technology (this mill is the one under audit for this reporting period). <b>Although the company declared that all those pulps were purchased as either FSC Mix certified or FSC Controlled Wood claimed, the cross checking over the samples from those suppliers cannot verify on the declaration.</b></p>
<p>2.6 All MMCF producers provide <u>outgoing</u> transportation documents and certification status if relevant. Supplementary information should include the forest/plantation of origin when known.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b></p> <p>During the audit, 4 samples of trade and transport documents for outgoing products were provided to the auditor for this mill.</p> <p>The fiber product sold from this mill is non-certified for the sampled documents</p>
<p><b>Summary:</b></p> <p>The Company Corporate Office centralizes pulp sourcing but the actual importer for almost all the overseas pulp for this mill is Yibin Hiest Fibre Limited Co. as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. Yibin Grace Import &amp; Export Co., Ltd also purchases pulp for a small proportion for this mill.</p> <p>The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment. As document review, field observation and staff review, 4 pulp suppliers are used within this reporting period, all of which have been included in supplier list and risk assessments.</p> <p>Auditor sampled 3-6 sets of purchasing documents from each pulp supplier.</p> <p>During the audit, samples of trade and transport documents for outgoing products were provided to the auditor.</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 plantations established before 1994**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>
<p><b>Summary:</b> The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A for corporate audit.</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests or other controversial sources have been eliminated.	
Indicators	Findings
<p>4.1 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The interviews to the management confirmed they were aware all relevant laws and regulations. Auditor reviewed the legally required documents in China, such as business licence, environment impact assessment, fire prevention, etc.</p> <p>There is no news and info disclosed that the mill is noncompliant with national and international laws.</p>
<p>4.2 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not <b>receive</b> wood from Priority Ancient and Endangered forests,</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p>

<p>as outlined in the <a href="#">Advice Note</a> and from controversial sources.</p>	<p><input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Company Corporate Office centralizes pulp sourcing but the actual importer for almost all the overseas pulp for this mill is Yibin Hiest Fibre Limited Co. as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. Yibin Grace Import &amp; Export Co., Ltd also purchases pulp for a small proportion for this mill.</p> <p>The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>The corporate office has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.3 Production mills have conducted assessment of presence of Ancient and Endangered forests, as outlined in the <a href="#">Advice Note</a> and other controversial sources in their wood supply areas.</p>	<p><b>Conformance with Indicator:</b>  <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><b>Description of the finding:</b>  The assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>
<p>4.4 The sourcing from regions that contain Ancient and Endangered forests, as outlined in the <a href="#">Advice Note</a> and other controversial sources, is verified to be low risk by this CanopyStyle audit.</p>	<p><b>Conformance with Indicator:</b>  <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><b>Description of the finding:</b></p>

	The assessment was conducted by corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.
<p><b>Summary:</b> The Company Corporate Office centralizes pulp sourcing but the actual importer for almost all the overseas pulp for this mill is Yibin Hiest Fibre Limited Co. as Hiest obtained the foreign exchange facility and has the qualification for foreign trade. Yibin Grace Import &amp; Export Co., Ltd also purchases pulp for a small proportion for this mill.</p> <p>The purchase documents of dissolving pulp are maintained at the corporate office (HQ).</p> <p>By interviews, the management of the mill demonstrated their understandings on ancient and endangered forests and controversial sources.</p> <p>The corporate office has conducted their annual risk assessment on their supply chains to understand the risk of sourcing from ancient and endangered forests and other controversial sources. Detailed findings please refer to indicator 2 and 4 under Appendix A.</p>	

5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	
Indicators	Findings
<p>5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.</p>	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> Supplier performance monitoring program was conducted by the corporate office and shared with the mill.</p>
<p><b>Summary:</b> Supplier performance monitoring program was conducted by the corporate office and shared with the mill.</p>	

## Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Canopy applauds Yibin Grace for completing their fourth CanopyStyle audit for the new lyocell facility. The report concludes that while the company is mostly procurement sourcing that are low risk of impact to Ancient and Endangered Forests, that further information needs to be gathered for some suppliers. The report also finds that the company is actively working to increase its proportion of FSC certified fibres, as well as deeply investing in the commercial scaling of Next Generation products.

The CanopyStyle audit is a learning opportunity, and in the spirit of progressive improvement, and based on the review of the audit report, Canopy recommends the following next steps:

- Work with suppliers to locate the origin of the pulp being procured, to ensure no impact on Ancient and Endangered Forests (specifically Arauco).
- Work with relevant suppliers to determine the dates plantations were established in its sourcing area.
- Work to ensure the proper functioning of the FSC CoC system at all facilities to ensure that FSC claims are carried throughout the supply chain. This will help validate the company's risk assessment related to controversial sources, as well as an ensure sources of wood are documented.
- Continue to increase the proportion of FSC-certified fibre, with emphasis on procurement of FSC 100%. Prioritize the procurement of FSC-certified fibre for those suppliers which have been reported to have conflicts with local communities, as a mitigation measure.
- Continue to invest in Next Generation fibre solutions, as well as conservation projects to further reduce the company's impact on forests.

We recommend that the company develop an action plan to address these priority issues, so that they can be addressed before the next annual audit. As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will be essential to ensure that Yibin Grace continues to implement their policy and meets the expectations of the CanopyStyle Initiative. Once again, we commend Yibin Grace for its ongoing commitment to regular CanopyStle audits, and we look forward to working with the company to address any outstanding issues.