The Hot Button Issue: *CanopyStyle update on viscose producers and forests*
In 2013, when Canopy issued the call to the fashion world to help halt the growing impact of rayon and viscose fabrics on the planet’s ancient and endangered forests, leading clothing brands and progressive designers sprang into action.

**These Pioneering Leaders** worked with Canopy to develop purchasing policies and have committed to eliminate sourcing from ancient and endangered forests and controversial sources by 2017.

The following report provides an update for brands on progress in the world of rayon and viscose production. Which of your suppliers are taking meaningful action? Who is leading the field and continuously progressing on CanopyStyle’s producer and fiber compliance tools? Where, among the world’s top rayon and viscose producers, will you find certainty of endangered forest-free supply?

CanopyStyle is being hailed by many as the fastest moving sustainability issue in the apparel sector. This is largely due to the strong engagement and support of over 65 brands that have stepped up for forests with formal endangered forest commitments over the past three years.

The report you are reading is free and public. However, only brands that have put policies in place and are part of the CanopyStyle initiative will have free exclusive access to the detailed research, analysis and supply chain insights behind these high level results. This is to recognize that these brand leaders are critical partners in these collaborative efforts.

It is not too late. We are transforming a global supply chain. Strong momentum has gotten us to this exciting juncture and there is more collaborative work to be done. Your brand’s new CanopyStyle commitment will help. Please contact canopy@canopystyle.org to join us.

**MOVING THE MARKET, REWARDING LEADERSHIP**

The CanopyStyle campaign is a visionary effort to transform the impacts of the fashion industry on the world’s ancient and endangered forests.

Canopy’s 65 brand partners (to date) represent over $100 billion in annual revenue and have all committed to eliminate any ancient and endangered forest fiber from their clothing by 2017. To accomplish that ambitious goal, rayon and viscose producers providing more than 75 per cent of global production have been engaged and are critical partners in the CanopyStyle campaign.

Brands are looking to their suppliers to shift sourcing to more sustainable options and demonstrate progress by putting robust policies in place, eliminating any controversial sources of forest fiber, completing independent third party audits, advancing the development of sustainable alternatives and taking action to protect forests.

In a short three years, the campaign has met with incredible early success and momentum continues to build. Our brand partners – design icons and clothing leaders – are already having a tremendous impact that is rippling throughout the supply chain. If you’re not already part of this movement, join us. If you are, thank you! We look forward to transforming this unsustainable supply chain together.
PRODUCER PROGRESS

To support producers on the journey towards the production of truly responsible cellulosic fiber products, Canopy is always available and engaging. With our brand partners we have co-hosted two Summits in China (2015 and 2016) to outline the new market demand and have supported trainings on the CanopyStyle Audit process and webinars on our global maps of ancient and endangered forests. Before finalization of this report, producers were actively engaged and given an opportunity to review, provide feedback and take action to improve their standing.

As a result, nine of the top ten viscose producers have now publicly committed to end all sourcing from ancient and endangered forests. One additional viscose producer, not currently in the top 10, Nanjing Chemical Fiber Company (NCF), has pro-actively committed to CanopyStyle. Following policy development, eight producers have already shared sourcing data with Canopy to map out their supply of raw material.

Now comes the critical step to set up success for 2017.

All producers have been asked to undergo a third-party, independent verification audit (the CanopyStyle Audit) of their raw fiber purchases, tracking fiber back to the forests of origin, identifying and eliminating any risk of contentious fiber entering their supply chain.

Canopy is pleased to report some producers are making solid progress. At the time of writing, both Lenzing and Aditya Birla, who together represent 35% of the global market, have completed a desktop audit of their global sourcing practices. Both producers are now undergoing additional site visits at their mills to verify consistency with global sourcing.

Tangshan Sanyou is in the final stages of getting the contract formalized and setting the dates for the audit to be executed. Sanyou will be the first viscose producer in China to initiate the CanopyStyle third party verification audit. We expect many others to be close behind.

Publicly available CanopyStyle audit results will be posted in the coming month on producers’ and auditors’ websites. Canopy will then analyze those results and engage with producers and brands on needed action plans.

The CanopyStyle audit stipulates that, among other criteria consistent with CanopyStyle policies, all forest management operations, plantations, dissolving pulp and viscose mills of a given company must be verified to be deemed low risk of sourcing from ancient and endangered forests and other controversial sources.

CanopyStyle Producer Progress: By the Numbers

~75%

The portion of global viscose and rayon production covered by wood sourcing policies committing not to source from ancient and endangered forests or controversial sources.

1

The number of viscose producers outside the top 10 who have come to Canopy proactively and put in place a policy commitment.

8 / 10

The number of producers who have shared their sourcing data with Canopy.

ALL

The number of Top 10 global producers that have or have had association with ancient and endangered forests between 2010 and 2016 based on customs information and other public sources. This is not unexpected news for Canopy and our Canopy-Style brand partners. Understanding these past and present supply chain links to global forests is not where our collaboration ends. Leading producers are now working with Canopy to eliminate controversial sources and undertaking audits so they can better understand their risks, avoid them and work with their suppliers to advance innovative conservation solutions.

2

The number of the world’s viscose producers currently undertaking the CanopyStyle Audit – a key requirement to meet the expectations of CanopyStyle brand partners.
The expectations of rayon and viscose producers are clearly outlined in the new CanopyStyle Guide, launched this fall. Here you will find a portion of this CanopyStyle Guide, which is focused on fiber compliance. This tool is called Making the Cut: Sustainable Cellulosic Fiber Staircase. By 2017 producers are expected to be providing fibers and fabrics that meet the green tiers in the graphic (right).

All producers are encouraged to continuously move up the staircase, and those showing leadership will differentiate themselves in the market by only offering products in the “Silver” and “Gold” levels. Foundational to this is the completion of CanopyStyle Audits to verify no sourcing from ancient and endangered forests or controversial sources.

The collective vision is not defined by simple compliance and risk management, but instead reinforces deep commitments to systemic closed loop systems, cutting edge circular economic thinking and lasting forest conservation solutions. While commercial-scale production of rayon and viscose made from high percentages of recovered textiles or leftover straw is not yet common, many new projects are arising and now is the time to support and develop innovative solutions that will ensure these responsible products become the marketplace norm.

**NOTES**

A Other non-wood alternatives may also be considered where proven to have lower impacts through life cycle analysis.

B CanopyStyle Audit expectations include: A producer, for their entire supply, is annually completing the CanopyStyle Audit, is verified free of ancient & endangered forests or other controversial sources, is meeting a majority of the audits critical KPIs and has an action plan to improve those they are not meeting.

C Large-scale scientifically based conservation and FSC are the prior requirements for any acceptable sourcing from ancient and endangered forests, including, but not limited to, the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests of British Columbia, Alaska and Chile; Tropical forests and peat lands of Indonesia, the Amazon and West Africa. If large scale, scientifically-based conservation has not yet been legislated by decision makers, MMCF producers or their suppliers are expected to have put in place adequate logging moratoria and demonstrate clear process and timelines for finalizing legislated protected areas and attaining FSC.

D This section defines best practices beyond certification, which is defined as sourcing from forest that are FSC certified, and which incorporates the ancient and endangered forest verification audits and maps.

E A MMCF producer that fails to meet the requirements of the third party verification CanopyStyle audit would be expected to take meaningful remediation actions, and then go through the audit again, before meeting this compliance requirement.
The answer to ending the accelerating use of endangered forests lies in ‘mining’ massive untapped fiber sources, including recycled textiles, agricultural residues such as leftover wheat straw and other non-wood options that carry lighter ecological footprints.

- In the United States alone, approximately 12.8 million tons of textiles end up in landfills each year.¹
- In the United Kingdom, an estimated 350,000 tonnes (385,808 tons US), or about £ 140 million (USD 186 million) worth of used clothing, is thrown in the trash annually.²
- Seattle-based Evnu is creating fresh-engineered fibers from 100% post-consumer cotton garments and is in the pilot stage with a select number of brands.
- Swedish innovator Re:Newcell recently received SEK48 million (USD $ 5.5 million) to take their innovative recycling process that turns cotton, viscose and rayon textiles back into pulp to commercial scale production. When online, this pulp could be used by any of the global producers listed in this report to be blended to produce viscose and rayon fabrics.
- Companies like Crailar FTI and Ecoplanet Bamboo are innovative producers investing in technologies that will soon deliver new sustainable pulp or fabric options made from alternative agricultural residues or raw material to the market.

Our CanopyStyle brand partners have committed to invest in research and development to advance the use of agricultural residues, recycled fabrics and other more sustainable non-wood fibers in clothing. Examples include:

- H&M collected more than 12,000 tons of unwanted garments in its stores in 2015 and made more than one million products containing at least 20% recycled material from collected garments.
- In July of this year, Inditex committed to close the loop with a focus on blending some percentage of pre-consumer textile collection and production of rayon and viscose from recycled materials, in partnership with Lenzing.
- In 2015, fashion retailer H&M and luxury lifestyle group Kering, announced a partnership with pioneering start-up Worn Again to make the infinite, circular recycling of textiles a reality through a unique textile-to-textile chemical recycling technology.

In researching this report, one traditional viscose producer stands out for its efforts towards the development of new innovative fibers. Lenzing, in cooperation with leaders in retail such as Inditex/Zara, is just starting to develop viscose and rayon made from small percentages of pre-consumer recycled cotton. With plans for aggressive growth in overall production, leadership on using sustainable non-wood alternatives will be critical for Lenzing to avoid putting new pressure on endangered forests ecosystems.

We look forward to more exciting innovation in the sector and know that building market support and compelling innovation is a critical component of CanopyStyle in 2017 and beyond.

“Developing circular business models in the fashion industry ensures the decoupling of business growth from pressure on ecological resource consumption. It reduces the need to extract additional virgin resources from nature, and reduces the net impact on ecological resources.”³

— Robert van de Kerkhof, cco of Lenzing
With customers identifying heavily with the stylish creations and brands of their favourite designers and apparel companies, the fashion industry is sensitized to risk. Textiles and clothing containing fiber derived from the habitat of an iconic endangered species or a region of violent conflict with local communities can seriously impact a brand’s consumer relations and reputational capital.

Every year, 120 million trees are logged for fabrics including rayon, viscose, modal and other trademarked textiles. That number is projected to double by 2025. Too many of these trees are over 1,000 years old or provide forest homes to threatened species such as orang-utans, tigers, elephants, bears and wolves. These forests are home to indigenous people and local communities that rely on healthy forest ecosystems for their livelihoods, pure drinking water, shelter, fuel and food. Furthermore, ancient and intact forests absorb carbon, storing it in soils and standing trees. Their continued existence is vital to stabilizing the world’s climate and helping us all mitigate the growing impacts of climate change.

The practice of turning these ancient forests into fabric will inevitably lead to controversy — and controversy results in reputational harm that can turn carefully curated brand capital on its head overnight. This report, and the work behind it, is intended to help retailers, brands and designers avoid such risks.

“H&M is proud to be part of the CanopyStyle campaign through its commitment to end all sourcing from the world’s remaining ancient and endangered forests. We look forward to sourcing from suppliers that have successfully completed the CanopyStyle third-party verification audit so that we can help to secure a future for the many species and communities that depend on the world’s forests. H&M is working with Canopy, other brands and entrepreneurs to develop next-generation textiles and kickstart tangible solutions like clothing made from recycled fabrics.”

— Anna Gedda, H&M, Head of Sustainability
The practice of turning these ancient forests into fabric will inevitably lead to controversy — and controversy results in reputational harm that can turn carefully curated brand capital on its head overnight.
In the following ranking, producers progress is assessed consistently with the tools and standards outlined in the CanopyStyle Guide and the CanopyStyle Verification Audit. With the goals of institutionalizing the long-term solutions required by the world’s ancient and endangered forests and making the viscose supply chain more sustainable, this report focuses on:

- Producers performance on the level of risk of sourcing from ancient and endangered forests,
- Producers leadership to advocate for conservation legacies, and
- Producers work to advance commercial production of alternative fibers.

Research and analysis is focused on detailed assessment of meaningful and measurable actions and the methodology is transparent and replicable. Merit points in the form of buttons are awarded based on degree of completion of the elements contained in the following table.

Prior to the publication of this report, each producer was provided a draft version of their ranking, first in May, then again this fall. Allowing time for review, input and to take actions to improve their score and standing.

Furthermore, we know that many producers are looking to continue their collaboration and progress with the CanopyStyle initiative to be well positioned in the marketplace for 2017. We will therefore be updating this research and republishing results online at [www.canopyplanet.org](http://www.canopyplanet.org) prior to the end of 2016.

### Viscose Producers Performance and Ranking

#### Completion of CanopyStyle third party verification audits
- The company has initiated the annual independent third party verification audit, with desktop analysis, mills or supplier site visits. *(worth 2 buttons)*

- The company has completed the first annual independent third-party verification audit and has adopted an action plan to make continuous sustainability improvements. *(worth 2 buttons)*

- Canopy analysis of the third party audit findings and of the producers’ actions on issues raised in the audit results in low risk of sourcing from ancient and endangered forests and other controversial areas. *(worth 2 buttons)*

#### Contribution to conservation legacies
- The company promotes its commitment to the conservation of ancient and endangered forests on its websites, naming key ancient and endangered forest regions. *(worth 1 button)*

- The company communicates about its role in supporting forest protection in public forums, panels, etc. *(worth 2 buttons)*

- When prompted, the company agrees to use its influence with decision makers to support long-term conservation solutions. *(worth 1 button)*

- The company’s actions directly contribute to conservation planning and increased legislated protection in key ancient and endangered forest hot spots. *(worth 2 buttons)*

#### Innovation via new alternative fibers
- The company advocates for the circular economy and use of alternative fibers and is developing partnerships with brands, academics and ENGOs to advance the use of new and existing alternative fibers. *(worth 1 button)*

- The company is investing in R&D for using alternative fibers, and is at development, prototype or laboratory phase. *(worth 1 button)*

- The company is investing in R&D for using alternative fibers, and is scaling up from laboratory phase to pilot scale (up to a few tons) towards commercial scale. *(worth 2 buttons)*

- The company’s actions contribute to conservation planning and increased legislated protection in key ancient and endangered forest hot spots. *(worth 2 buttons)*

#### Adoption of robust forest sourcing policy
- The company has formalized a policy commitment not to source from the world’s ancient and endangered forests and other controversial sources, is promoting it on its website and requires compliance from its suppliers. *(worth 2 buttons)*

- The producer’s policy meets all the CanopyStyle criteria.* *(worth 2 buttons)*

*NOTE THIS IS A NEGATIVE CRITERIA THAT WOULD LEAD TO A REDUCTION OF 5 BUTTONS*
The company has formalized a track and trace system to enable visibility and accountability of its supply chain. The company has put in place a track and trace system to be used by its partners in the supply chain.

(Traceability & Transparency: worth 2 buttons)

The company has initiated the completion of CanopyStyle hot spots.

(Traceability & Transparency: worth 1 button)

The producer gives preference to FSC forest management fiber supply and increases % volumes of FSC fiber intake.

(Leaders in supply chain shift and sustainable sourcing: worth 1 button)

The producer is pro-actively reaching out to Canopy to seek opportunities to forward solutions and meet new marketplace requirements. The producer is participating in annual CanopyStyle Summits in China, takes timely action, engages suppliers & inspires leadership with supply chain partners and competitors.

(Leaders in supply chain shift and sustainable sourcing: worth 1 button)

The company advocates for Innovation via new alternative fibers and is at development, prototype or laboratory phase. The company is investing in R&D for using alternative fibers, and is scaling up from laboratory phase to pilot scale (up to a few tons) towards commercial scale.

(Associated with high risk of sourcing from ancient & endangered forests and other controversial sources: worth 5 buttons)

The producer's policy meets commitments to:

- Recognition, respecting and upholding human rights and the rights of communities via acknowledging the right of Indigenous People and rural communities to give or withhold their Free, Prior and Informed Consent (FPIC)
- Giving a preference to fibre sourced from forests that are responsibly managed forests, certified to the Forest Stewardship Council (Fsc) certification system.
- Ensuring the transparency & traceability of their operations and supply chains and completing third party verification audits to be verified ancient & endangered forest free by 2017.
- Re-evaluating the business relationship with suppliers who contravene these criteria if fiber is coming from sources that do not meet this policy.

(Leaders in supply chain shift and sustainable sourcing: worth 1 button)

The company was sourcing from ancient and endangered forests or the company is associated with controversial sources whose operations have documented social conflict or are in key ancient and endangered forests such as the Boreal forests, temperate rainforests or tropical forests of Indonesia. Action has been taken, the sourcing issue has been resolved and the producer is contributing to conservation legacies.

(Leaders in supply chain shift and sustainable sourcing: worth 1 button)

The company is directly sourcing from ancient and endangered forests or the company is associated with controversial sources whose operations have documented social conflict or are in key ancient and endangered forests such as the Boreal forests, temperate rainforests or tropical forests of Indonesia. No action is being taken by the company.

(Note this is a negative criteria that would lead to a reduction of 5 buttons)

The company is directly sourcing from ancient and endangered forests or the company is associated with controversial sources whose operations have documented social conflict or are in key ancient and endangered forests such as the Boreal forests, temperate rainforests or tropical forests of Indonesia. Initial action to remove this controversial sourcing is being taken by the company.

(Note this is a negative criteria that would lead to a reduction of 2 buttons)

The company was sourcing from ancient and endangered forests or the company is associated with controversial sources whose operations have documented social conflict or are in key ancient and endangered forests such as the Boreal forests, temperate rainforests or tropical forests of Indonesia. Action has been taken, the sourcing issue has been resolved and the producer is contributing to conservation legacies.

(Note this would lead to the addition of 1 button)
**Risk of sourcing from Ancient & Endangered forests:** At the time of writing this report, Lenzing has completed a first desktop audit of their global sourcing practices, which led to site visits of mills in China and Indonesia to verify that the local operations are consistent with global sourcing. Lenzing has been open, committed and pro-active in taking timely actions to undertake this rigorous due diligence process. The company has also influenced one of their suppliers to undergo an audit forest site visit. Audit results are imminent.

**Key improvements required:** Areas for improvement in Lenzing’s current policy include a preference for FSC certified fiber and a commitment to drive new alternative fibers development. The expectation is that Lenzing will continue to progress in the coming months to contribute to legislated conservation legacies in key global forest hotspots, ensure that their planned expansion and growth are consistent with the CanopyStyle initiative and that the company will further prioritize research and development efforts to bring new products made of alternative fibers to commercial viability.

**Areas where the company is showing leadership:** Lenzing has been demonstrating leadership by attending and presenting, alongside Canopy and partner brands, at conferences to promote the protection of ancient forests and the need for sustainable sourcing. The company, in cooperation with leaders in retail such as Inditex/Zara, is just starting to market new MMCF products made from pre-consumer recycled cotton. The company is also one of the first to have gone through the CanopyStyle audit, another area where Lenzing is inspiring its peers in the industry. Lenzing prides itself on dedicating time and capacity into Life Cycle Analysis (LCA) and have been traditional leaders in providing LCAs to their customers. In this leadership role, we encourage Lenzing to also lead the sector’s integration of biodiversity and forest and soil carbon as key impacts of sourcing from forests that are generally unaccounted for in traditional LCAs.

**Risk of sourcing from Ancient & Endangered forests:** At the time of writing this report, Aditya Birla has completed a first desktop audit of their global sourcing practices for nine of their mills, which led to site visits at their mills in China and Indonesia to verify that the local operations are consistent with global sourcing. The company is also undergoing a mill and forest audit in a country where there are remnant areas of ancient and endangered forests, to ensure that none of the fiber is coming from such forests. Lastly, an audit is occurring in India for a local examination and where there are remnant areas of ancient and endangered forests, to ensure that none of the fiber is coming from such forests. Lastly, an audit is occurring in India for a local examination and understanding of the company’s procedures to enforce and monitor the social criteria of the CanopyStyle audit. Audit results are imminent.

The CanopyStyle audit is clear that all the forest management, plantations, dissolving pulp and viscose mills of a company must be verified before it can be determined whether the company has a low risk of sourcing from ancient and endangered forests and other controversial sources. Future annual audits should include remaining operations of Aditya Birla, such as the Birla Lao Pulp and Plantations Company Limited, the project in Turkey, the Terrace Bay mill to be converted in Canada and the new Vilayat Greenfield project in India now in operation.

**Key improvements required:** With Canopy support, Aditya Birla adopted a Global Wood Fiber Sourcing Policy in 2015. Areas for policy improvement include stating a preference for the FSC certification and for the company to increase its intake of FSC certified fiber.

It is expected that Aditya Birla will continue to progress on building supply chain transparency and traceability, while also driving development of fabrics from alternative fibers. Customer brands whose own policies reflect demand for new products either made from recovered clothing or agricultural residues are looking to Aditya Birla to make more progress in this innovation.

**Areas where the company is showing leadership:** Aditya Birla has been demonstrating valuable leadership in partnering with conservation organisations to pro-actively craft science-based solutions to help protect an endangered Boreal forest near their AV Terrace Bay (AVTB) mill in Ontario, Canada. AVTB is inspiring their peers in the industry with their solutions-based approach of putting logging moratoria in place while conservation planning occurs, as well as their commitment to obtain prior and informed consent of First Nations in their decision-making. AVTB’s goal is to see their certification to FSC standards double in volume. Aditya Birla has also been presenting, alongside Canopy and partner brands, at conferences to promote the protection of ancient forests and the need for sustainable sourcing. Aditya Birla is open to partnering on Life Cycle Analysis that includes cutting edge methodologies to include impacts to biodiversity and biogenic carbon – this should continue and be a leadership priority.
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<thead>
<tr>
<th>Completion of CanopyStyle Third Party Verification Audits</th>
<th>Contribution to Conservation Legacies</th>
<th>Innovation via New Alternative Fibers</th>
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<th>Traceability &amp; Transparency</th>
<th>Leaders in Supply Chain Shifts and Sustainable Sourcing</th>
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## CanopyStyle Performance Matrix – 2016 (continued)

<table>
<thead>
<tr>
<th>Performance Result</th>
<th>Company</th>
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<tbody>
<tr>
<td><strong>Tangshan Sanyou</strong></td>
<td><img src="tangshan-sanyou.png" alt="Image" /> <strong>CanopyStyle Performance Matrix – 2016 (continued)</strong></td>
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<tr>
<td><strong>Fulida</strong></td>
<td><img src="fulida.png" alt="Image" /> <strong>CanopyStyle Performance Matrix – 2016 (continued)</strong></td>
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<td><strong>Shandong Yamei</strong></td>
<td><img src="shandong-yamei.png" alt="Image" /> <strong>CanopyStyle Performance Matrix – 2016 (continued)</strong></td>
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### Tangshan Sanyou

**Risk of sourcing from Ancient & Endangered forests:** At the time of writing this report, the company was in the final stages of getting the contract formalized and setting the dates for the audit to be executed. Sanyou is the first viscose producer in China to initiate the CanopyStyle third party verification audit. The final audit results will be compiled and the level of risk of sourcing from ancient and endangered forests and other controversial areas will then be assessed.

**Key improvements required:** The priority next step for Tangshan Sanyou is to complete the third party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative within 30 days. Note: The CanopyStyle initiative is closely tracking allegations of forced labour and this is a critical issue of concern.

**Areas where the company is showing leadership:** The company has been one of the first viscose producers in China to engage in dialogue with Canopy, to adopt a robust forest & pulp sourcing policy and to share sourcing data with Canopy and the brands of the “Leaders Group”.

### Fulida

**Risk of sourcing from Ancient & Endangered forests:** Until Fulida successfully completes the CanopyStyle verification audit, Zhejiang Fulida will be considered medium to high risk of sourcing from ancient and endangered forests and other controversial areas. The audit should have been completed by September 2016. Because Fulida owns the Neucel mill which is located in the endangered forest region of the Coastal Temperate Rainforest of Vancouver Island, the company is expected to fully implement its commitment to actively support meaningful conservation planning and increased protection of these ancient forests prior to sourcing from the area.

**Key improvements required:** The priority next step for Zhejiang Fulida is to initiate the third party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative.

**Areas where the company is showing leadership:** No significant leadership shown to date. Fulida is encouraged to demonstrate leadership moving forward.

### Shandong Yamei

**Risk of sourcing from Ancient & Endangered forests:** Until the company successfully completes the CanopyStyle verification audit (originally anticipated by September 2016) and its results can be analyzed, Shandong Yamei will be considered medium to high risk of sourcing from ancient and endangered forests and other controversial areas.

**Key improvements required:** The immediate next step for Shandong Yamei is to formalize agreement with the auditor to initiate the third party verification of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the first annual CanopyStyle audit findings, Shandong Yamei will be expected to address any controversial sourcing issues that are identified and progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.

**Areas where the company is showing leadership:** Shandong Yamei has presented, alongside Canopy and partner brands, at the China Chemical Fiber Association CCF conference to promote the protection of ancient forests and the need for sustainable sourcing.
### Completion of CanopySTYLE Third Party Verification Audits

<table>
<thead>
<tr>
<th>Company</th>
<th>Contribution to Conservation Legacies</th>
<th>Innovation via New Alternative Fibers</th>
<th>Adoption of Robust Forest Sourcing Policy</th>
<th>Traceability &amp; Transparency</th>
<th>Leaders in Supply Chain Shifts and Sustainable Sourcing</th>
<th>Associated with High Risk of Sourcing from Ancient &amp; Endangered Forests and other Controversial Sources</th>
<th>TOTAL # BUTTONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangshan Sanyou</td>
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<tr>
<td>Shandong Yamei</td>
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</tbody>
</table>

**Tangshan Sanyou**

- At the time of writing this report, the company was in the final stages of getting the contract formalized and setting the dates for the audit to be executed.
- Sanyou is the first viscose producer in China to initiate the CanopySTYLE third party verification audit.
- The final audit results will be compiled and the level of risk of sourcing from ancient and endangered forests and other controversial areas will then be assessed.

**Key improvements required:**

- The priority next step for Tangshan Sanyou is to complete the third-party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopySTYLE initiative within 30 days.
- Note: The CanopySTYLE initiative is closely tracking allegations of forced labour and this is a critical issue of concern.

**Areas where the company is showing leadership:**

- The company has been one of the first viscose producers in China to engage in dialogue with Canopy, to adopt a robust forest & pulp sourcing policy and to share sourcing data with Canopy and the brands of the "Leaders Group."
### CanopyStyle Performance Matrix – 2016 (continued)

<table>
<thead>
<tr>
<th>Performance Result</th>
<th>Company</th>
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<tbody>
<tr>
<td></td>
<td><strong>CHTC/Shandong Helon</strong></td>
</tr>
<tr>
<td></td>
<td><img src="image1.png" alt="Logo" /> <strong>CHTC HELON CO., LTD.</strong></td>
</tr>
<tr>
<td><strong>Risk of sourcing from Ancient &amp; Endangered forests:</strong></td>
<td>Until Shandong Helon successfully completes the CanopyStyle verification audit (originally anticipated by September 2016) and its results can be analyzed, the company will be considered medium to high risk of sourcing from ancient and endangered forests and other controversial sources.</td>
</tr>
<tr>
<td><strong>Key improvements required:</strong></td>
<td>The immediate next step for Shandong Helon is to initiate the CanopyStyle audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the audit, Shandong Helon will be expected to address any controversial sourcing issues that are identified and progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.</td>
</tr>
<tr>
<td><strong>Areas where the company is showing leadership:</strong></td>
<td>No significant leadership shown to date. Shandong Helon is encouraged to demonstrate leadership moving forward.</td>
</tr>
<tr>
<td></td>
<td><strong>Xinxiang Bailu</strong></td>
</tr>
<tr>
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<td><img src="image2.png" alt="Logo" /> <strong>HUAXIAN</strong></td>
</tr>
<tr>
<td><strong>Risk of sourcing from Ancient &amp; Endangered forests:</strong></td>
<td>Until the company successfully completes the CanopyStyle verification audit (originally anticipated by September 2016) and its results can be analyzed, Xinxiang Bailu Chemical Fiber will be considered medium to high risk of sourcing from ancient and endangered forests and other controversial areas.</td>
</tr>
<tr>
<td><strong>Key improvements required:</strong></td>
<td>The immediate next step for Xinxiang Bailu Chemical Fiber is to complete the third party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the audit, Xinxiang Bailu Chemical Fiber will be expected to address any controversial sourcing issues that are identified and progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.</td>
</tr>
<tr>
<td><strong>Areas where the company is showing leadership:</strong></td>
<td>No significant leadership shown to date. Xinxiang Bailu Chemical Fiber is encouraged to demonstrate leadership moving forward.</td>
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<td></td>
<td><strong>Nanjing NCFC</strong></td>
</tr>
<tr>
<td></td>
<td><img src="image3.png" alt="Logo" /> <strong>LFC</strong></td>
</tr>
<tr>
<td><strong>Risk of sourcing from Ancient &amp; Endangered forests:</strong></td>
<td>Until the company eliminates all sourcing from ancient and endangered forests and other controversial areas and successfully completes the CanopyStyle verification audit, Nanjing NCFC will be considered medium to high risk.</td>
</tr>
<tr>
<td><strong>Key improvements required:</strong></td>
<td>The immediate next step for Nanjing NCFC is to complete the third party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the first annual audit, Nanjing NCFC will be expected to continue to progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.</td>
</tr>
<tr>
<td><strong>Areas where the company is showing leadership:</strong></td>
<td>Nanjing NCFC is the first producer not part of the top ten priority list identified by the CanopyStyle initiative to have adopted a robust policy. The company’s senior leadership is consistently showing leadership by pro-actively engaging in dialogue with Canopy, informing themselves about the market expectation, and other activities.</td>
</tr>
<tr>
<td>Completion of CanopyStyle Third Party Verification Audits</td>
<td>Contribution to Conservation Legacies</td>
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</tbody>
</table>

Key improvements required:
- The immediate next step for Shandong Helon is to initiate the CanopyStyle audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the audit, Shandong Helon will be expected to address any controversial sourcing issues that are identified and progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.

Areas where the company is showing leadership:
- No significant leadership shown to date. Shandong Helon is encouraged to demonstrate leadership moving forward.

Key improvements required:
- The immediate next step for Xinxiang Bailu Chemical Fiber is to complete the third party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the audit, Xinxiang Bailu Chemical Fiber will be expected to address any controversial sourcing issues that are identified and progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.

Areas where the company is showing leadership:
- No significant leadership shown to date. Xinxiang Bailu Chemical Fiber is encouraged to demonstrate leadership moving forward.

Key improvements required:
- The immediate next step for Nanjing NCFC is to complete the third party verification audit of progress indicators in policy implementation and additional solutions proposed by the CanopyStyle initiative. Following the first annual audit, Nanjing NCFC will be expected to continue to progress on remaining sustainability steps, such as supporting conservation solutions and driving new alternative fibers.

Areas where the company is showing leadership:
- Nanjing NCFC is the first producer not part of the top ten priority list identified by the CanopyStyle initiative to have adopted a robust policy. The company's senior leadership is consistently showing leadership by pro-actively engaging in dialogue with Canopy, informing themselves about the market expectation, and other activities.
# CanopyStyle Performance Matrix — 2016 (continued)

<table>
<thead>
<tr>
<th>Performance Result</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of sourcing from Ancient &amp; Endangered forests:</td>
<td>Sateri</td>
</tr>
<tr>
<td>At the time of writing this report, Sateri was in the final stages of formalizing its contract for the audit. As part of the Royal Golden Eagle Group, Sateri is closely associated with APRIL, Indonesian pulp producer and logging company, and the Toba Pulp Lestari mill in Indonesia. Toba Pulp Lestari is known for its ongoing social conflict, pollution, and recent conversion of natural forests. Sateri has taken steps to remove this controversial source from its supply chain. Until the audit is conducted and the results can be analyzed, Sateri will be considered medium to high risk and Canopy recommends a considered approach by the marketplace at this stage.</td>
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<tr>
<td>Key improvements required:</td>
<td>The priority next steps for Sateri are to: 1) Develop a robust implementation plan and dedicate meaningful resources towards its execution; and 2) Eliminate controversial fiber sources from its supply chain and complete the CanopyStyle third party verification audit process with Rainforest Alliance. Sateri’s policy should be augmented to include a stated preference for FSC fiber and a commitment to drive the development of new and alternative fibers.</td>
</tr>
<tr>
<td>Areas where the company is showing leadership:</td>
<td>Sateri is encouraged to demonstrate more leadership. It yet to be seen with consistency.</td>
</tr>
<tr>
<td>Risk of sourcing from Ancient &amp; Endangered forests:</td>
<td>Jiangsu Xiangsheng</td>
</tr>
<tr>
<td>Until the company shares sourcing data and successfully completes the CanopyStyle verification audit (originally anticipated by September 2016) and its results can be analyzed, Jiangsu Xiangsheng will be considered high risk of sourcing from ancient and endangered forests and other controversial areas. As such, Canopy recommends a considered approach by the marketplace at this stage.</td>
<td></td>
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<tr>
<td>Key improvements required:</td>
<td>Consistent with other viscose producers in advancing along the Solutions Pathway, we expect Jiangsu Xiangsheng to complete the Chain of Custody survey and share sourcing data with Canopy and the “Leaders Group” as soon as possible. Once data has been provided, the next step will require Jiangsu Xiangsheng to initiate the third party CanopyStyle audit of policy compliance.</td>
</tr>
<tr>
<td>Areas where the company is showing leadership:</td>
<td>No significant leadership shown to date. Jiangsu Xiangsheng is encouraged to demonstrate leadership moving forward.</td>
</tr>
<tr>
<td>Risk of sourcing from Ancient &amp; Endangered forests:</td>
<td>Aoyang Technology</td>
</tr>
<tr>
<td>Because of Aoyang Technology’s lack of responsiveness and delay in sharing information about its raw material sourcing, the company is considered at medium to high risk of sourcing from ancient and endangered forests and other controversial sources. As such, Canopy recommends a considered approach by the marketplace at this stage.</td>
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</tr>
<tr>
<td>Key improvements required:</td>
<td>Although Aoyang Technology attended the CanopyStyle Summits in China in 2015 and in 2016, the company has not moved from a cordial dialogue to being actively engaged in CanopyStyle. The company is the only producer in the top 10 that has not developed and adopted a policy commitment. The immediate next step for Aoyang Technology is to develop a strong sourcing policy. Once this is accomplished, the next action required for its implementation will be to to share sourcing data and to obtain third party verification.</td>
</tr>
<tr>
<td>Areas where the company is showing leadership:</td>
<td>No significant leadership shown to date. Aoyang Technology is encouraged to demonstrate leadership moving forward.</td>
</tr>
<tr>
<td>Completion of CanopyStyle Third Party Verification Audits</td>
<td>Contribution to Conservation Legacies</td>
</tr>
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<tr>
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</table>
With the support and engagement of visionary leaders, remarkable success stories and conservation legacies can be achieved in ancient and endangered forest regions.

British Columbia’s incredible Great Bear Rainforest stands as a testament for conservation solutions secured through the engagement of the entire supply chain.

In 2016, Canopy joined with our partners and allies in celebrating the completion of the Great Bear Rainforest Agreements that will see 85% of these magnificent ancient forests protected or formally off limits from logging.6

This remarkable global precedent, now included as part of the Queen’s Commonwealth Canopy conservation program, would not have been achieved without the deep involvement and support of forest product customers. At key junctures of the Great Bear Rainforest negotiations global retailers, designers and brands lent their influential voices to urge decision makers in both government and the forestry industry for greater protection of these rare and irreplaceable forests. The momentum building in the CanopyStyle campaign to shift the fabric supply chain can help alleviate stress on key Landscapes of Hope and create similar legacies of protection, species survival and forest health around the world.

When governments know customers are closely monitoring the fate of ancient forests and willing to stand up for endangered species and ecosystem integrity, new paths to solutions prevail and better management plans are often the result. Both brands and viscose producers can lend their influence and help create remarkable forest legacies.

Shining examples include …

EILEEN FISHER, Zara/Inditex and Stella McCartney directly addressing the threats of logging and development in Indonesia, writing to the Governor of Aceh and voicing support for the continued protection of this magnificent tropical rainforest.

Stella McCartney is set to co-host a webinar, convening peers in the marketplace from various forest-product customer sectors to hear updates from the Quebec government and Cree First Nations on the status of the last increment of conservation required to ensure the full protection of the Broadback Forest in Canada’s Boreal.
Marks & Spencer participated in a key Customer Roundtable for the finalization of the Great Bear Rainforest Agreements as well as an influential delegation that toured Indonesia’s tropical rainforest, visiting pulp and viscose mills in the area and contributing to raising the international profile of the irreplaceable Leuser ecosystem.

One producer stands out in breaking new ground on forwarding conservation solutions. Aditya Birla is taking action and moving on solutions in a landscape of conflict found in Canada’s Boreal Forest. By committing to implement science-based conservation in critical forest regions, the company is poised to leave a lasting legacy of forest protection. Birla’s AV Terrace Bay mill, slated for conversion to dissolving pulp in the coming years, has agreed to a moratorium on logging in 1.1 million hectares of high conservation value forests and critical species habitat within their sourcing areas. The mill is moving forward aggressively to increase its sourcing of FSC certified fiber and aims for more than 75% of its fiber to come from FSC certified forests by the end of 2017.

Other opportunities for significant conservation leadership anticipated in coming months include Fulida, who is expected to fully implement commitments to help secure meaningful conservation planning and increased protection of 1,000 year old pockets of coastal temperate rainforest on Vancouver Island, and Sateri, who is expected to influence its parent company RGE and affiliates APRIL and Toba Pulp Lestari mill, to halt deforestation, resolve social conflicts with local communities and support new conservation solutions in Indonesia.

These are a few select examples of the role the marketplace can play in furthering conservation. Canopy anticipates viscose producers will play a critical role over the coming months in global forest priority regions, helping to ensure a healthy future for the ecosystems that sustain us all.
WHAT NEXT?

Over the centuries, fashion has had a profound effect on the world and its inhabitants. Through innovation and vision, style leaders and clothing manufacturers have helped emancipate women, enabled humanity to explore the peaks of mountains and depths of jungles, withstanding cold, rain and the heat of summer, and offered individuals a vehicle for self-expression and the exploration of beauty.

The most profound contribution fashion can make today is to move the mountains of entrenched sourcing practices and generate waves throughout the supply chain to create a lasting legacy of magnificent ancient forests standing tall and a healthier planet.

Together with all of the collaborative brands of CanopyStyle and their supply chain partners, we are fundamentally changing the current viscose production system for the better. Based on the results of the CanopyStyle independent audits undertaken to date – and with more being completed in the coming months – Canopy will soon be in a position to identify a nominated list of suppliers, highlighting those that are verified as low risk of containing ancient and endangered forest fiber in their supply chain and identify those players taking bold actions to drive conservation legacies and the production of new alternative fibers.

We will have regular updates on viscose producers’ performance and look forward to keeping you apprised of progress. This is our commitment to help your brand implement your leading forest policy with integrity, in the fall of 2017.

notes
4 Canopy research using industry data and the Environmental Paper Calculator Version 3.2.1
6 http://canopyplanet.org/campaigns/protecting-the-great-bear-rainforest/