

CanopyStyle Audit Guidelines and Verification Framework

For Discussion With Viscose Producers

Supported by the Fashion and Textile Leaders for Forest Conservation¹

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Introduction

This ancient and endangered forest free verification process is intended to be a tool for learning together, improving practices together and risk managing across the supply chain from the point of wood harvesting through to the brand and retail customers. Its focus is for man-made cellulosic fibre (MMCF) producers to document and manage potential social, environmental and reputational risks within their supply chain related to sourcing. It will identify areas of conformance and non-conformance based on a set of shared key performance indicators, and will elaborate on ways for textile manufacturers and their raw material suppliers to improve practices and reduce impacts on the worlds' ancient and endangered forests. This verification process can help provide customer confidence and ensure consistent expectation and interpretation of performance in the marketplace.

Objective

The goal of this document is to establish criteria for a credible third party verification audit process, supported by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)¹ and brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The process is intended to describe how auditors will verify how MMCF producers are meeting the criteria set in the template Forest Sourcing Policy, and whether and when they can be recognized as not sourcing from ancient and endangered forests or controversial sources.

Pre-requisite

The MMCF producer has adopted and made public a forest sourcing policy, which is consistent with policies adopted by clothing retailers, brands and designers supporting the [CanopyStyle](#) initiative. This includes a commitment not to source from the world's ancient and endangered forests, endangered species habitat or other controversial sources.

The verification process will be done using performance indicators developed from the Forest Sourcing Policy template included in ANNEX 1, with additional key elements being pulled from the MMCF Solution Pathway included in ANNEX 2. These include, amongst other elements, a commitment not to source from ancient and endangered forestⁱ, Intact Forest Landscapesⁱⁱ, peatlandsⁱⁱⁱ, High Carbon Stock^{iv} and other High Conservation Value areas^v, from illegal sources or from companies violating human rights for dissolving pulp to make cellulosic fibers. The MMCF producer will do this by:

- Assessing the existing supply chain of wood pulp and fiber and ensuring that it is not sourcing fibers made from ancient and endangered forests areas including, but not limited to, the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, South East Asia, the Central and South America (Amazon) and Africa, and/or endangered species habitat.
- Identifying the origin^{vi} of the pulp and plantations/wood fibre through mapping its entire raw material supply chain (chain of custody) back to the mills, plantations, and forest areas, and ensuring the transparency and traceability of its operations and supply chains.
- Working with its fibre suppliers towards phasing out and finding suitable alternatives to any

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

fibre sourced from these high risk regions, unless prior, meaningful and science-based conservation planning has been implemented, in addition to the fibre being FSC pure management certified and that operations have obtained the Free Prior and Informed Consent of First Nations and local communities.

- Eliminating all fibre from ancient and endangered forests and other controversial sources, including fibre, suppliers and affiliates linked to:
 - Illegal^{vii} activities,
 - Violations of the rights of indigenous peoples, local communities and workers
 - The degradation or loss of ancient, intact, old growth, endangered or High Conservation Value (HCV) forests and areas,
 - The degradation or loss of High Carbon Stock (HCS) forests,
 - The degradation or loss of tropical peatlands of any depth,
 - The deforestation^{viii} and/or conversion of natural forests or peatlands to plantations
 - Plantations established after 1994 through the conversion or simplification of natural forests, and,
 - The use of genetically modified organisms (GMO).

Verification Process Description

The 3rd party independent auditing body shall initially undertake a broad and comprehensive verification audit and then continue to verify the company's policy implementation annually at random times, but not allowing more than 15 months to pass between audits. The evaluation process includes various steps including the development of a scope of work, an evaluation plan and a communications plan.

As part of the process, KPI (Key Performance Indicators) or Performance Measures are developed, in agreement with the Leaders Group, and used to assess and evaluate progress on the policy commitment implementation.

Other important steps include setting up the evaluation team, engaging stakeholders in a consultation process², and the verification assessment reporting.

Verification Process Criteria

- The verification process shall be transparent. This means that the scope, process, audit plan, audit locations and final report would be publicly available.
- Clear communication guidelines shall be developed.
- The process includes stakeholder consultation, with stakeholders' input being satisfactorily addressed in a confidential manner where necessary.
- The auditor will select the stakeholders. The company audited will provide a stakeholders list, yet the stakeholders engaged could go beyond the company's list, as judged relevant by the auditor.
- The process includes a final verification report, which will be available publically. Such verification report must be available in English for stakeholders to read and make use of it, and if possible the report should also be available in the language of the management facilities (mills).
- The verification process will focus on the forest to fibre part of the supply chain, which means all processes and changes of ownership of the material from the forest harvest operations to the manufacture of viscose and other trade marked MMCF products.

² A verification audit needs stakeholder engagement to be public – otherwise it would be considered a gap analysis.

- The audit process includes document review, interviews and field observations. This can be done through desktop review, site visits, random samples at the company's headquarter and mills, and up to the forest floor, if necessary.
- The company audited will be asked to provide all necessary documents for review in a timely manner, and will facilitate timely engagement with, and review of, their suppliers when necessary. As such, the suppliers (dissolving pulp producers, forest management companies, concession holders, etc.) of the audited company will also be asked to provide documented information and could be visited by the auditors.

Format

The verification process shall include desk reviews of document and interviews, in addition to random materials spot checks and/or mill visits and/or logging concession/tenure visits and/or community visits. Once a viscose producer has opened their raw material supply books, provided detailed chain of custody information and suppliers contact, the auditor will execute random spot checks to verify the claims of the producers and the origin of the fibre at specific mill/forest site locations. The site visits will be selected based on stakeholder input; on the auditor's assessment of risk of sourcing from ancient and endangered forests; areas with land conflict or human rights violations; and randomly.

It is the expectation of the Leaders Group that **all** operations of the MMCF producers will be subject to the independent verification process. The evaluation of only partial operations, mills, suppliers or product lines would not be considered acceptable. The goal is to avoid the development of qualifying "niche" products that do not represent the entirety of the company and potentially shift sourcing of ancient and endangered forest into to other products or mills, therefore partial verification will **not** be satisfactory nor supported.

NOTE: It is expected the audit results will be made available electronically, versus only paper work.

Definition of ancient and endangered forests

The following definition of ancient and endangered forest shall be the one used for the third party verification: Ancient and Endangered Forest are defined as intact forest landscape mosaics, naturally rare forest types, forest types that have been made rare due to human activity, and/or other forests that are ecologically critical for the maintenance of biological diversity and ecological integrity. Ecological components of endangered forests are: Intact forest landscapes; Remnant forests and restoration cores; Landscape connectivity; Rare forest types; Forests of high species richness; Forests containing high concentrations of rare and endangered species; Forests of high endemism; Core habitat for focal species; Forests exhibiting rare ecological and evolutionary phenomena. As a starting point to geographically locate ancient and endangered forests, maps of High Conservation Value Forests and areas (HCV), as defined by the Forest Stewardship Council (FSC) and the High Conservation Value Resource Network, and of intact forest landscapes (IFL), can be used and paired with maps of other key ecological and carbon values like the habitat range of key endangered species and forests containing high concentrations of terrestrial carbon, peatlands and High Carbon Stocks (HCS). (The Wye River Coalition's Endangered Forests: High Conservation Value Forests Protection – Guidance for Corporate Commitments. This has been reviewed by conservation groups, corporations, and scientists such as Dr. Jim Stritholtt, President and Executive Director of the Conservation Biology Institute, and has been adopted by corporations for their forest sourcing policies).

Upon completion, a map of ancient and endangered forests, currently under development by the Leaders Group and other stakeholders will provide a spatially explicit rendering of the above definition to be used for auditing purposes.

Definition of controversial sources

Controversial sources, include fibre, suppliers and affiliates linked to:

- Illegal activities,
- Violations of the rights of indigenous peoples, local communities and workers
- The degradation or loss of ancient, intact, old growth, endangered or High Conservation Value (HCV) forests and areas,
- The degradation or loss of High Carbon Stock (HCS) forests,
- The degradation or loss of tropical peatlands of any depth,
- The deforestation and/or conversion of natural forests or peatlands to plantations
- Plantations established after 1994 through the conversion or simplification of natural forests, and,
- The use of genetically modified organisms (GMO).

Verification Timeframe

It is highly recommended that a timeframe of up to 6 months be judged sufficient and adequate to complete all of the third party verification process, from the initial agreement and scope of work, to the full evaluation, stakeholder consultation and public reporting.

Required qualities of the auditor

- Is independent, credible, and formally accredited by the Accreditation Service International (ASI - <http://www.accreditation-services.com>)
- Is recognized by the conservation and NGO community
- Has competent auditors that have experience in MMCF producing countries, and is capable of verifying a global supply chain
- Has proven experience in verification against forest policy commitments
- Will form a team of auditors that are independent, highly qualified, have several years of experience in third party auditing and are selected without influence from the audited company
- Will provide comprehensive updates on the evaluation process to the Leaders Group as the verification audit progresses. This could be done in the form of written updates, sharing evaluation material, through organizing webinars, etc.

The Role of the Leaders Group

The Leaders Group will be a key stakeholder in these verification audits. They will be consulted and informed at all stages in the process, including during the design, development, evaluation and reporting phases, and their input will be carefully considered. The auditor and audited MMCF producer will provide them with initial observations as well as final reporting of findings and recommendations prior to the final report being made public, with an understanding that those materials are confidential and embargoed.

Financial Structure

It is proposed that a central pool of funds be created in which the participating MMCF producers pay their fees, pre-determined by the size of their supply chain, how integrated the company is, the number of facilities they own and the risk level associated with their supply chain. The purpose is to create a neutral economical environment and reduce possible bias.

Preliminary Key Performance Indicators

The following KPIs have been identified by Leaders Group for the consideration of the auditors and producers. They are not an exhaustive list and could be expanded. They have been developed to help expedite the process and provide insight into the interest of the Leaders Group.

It is expected that the auditor will consult on these KPIs with stakeholders and the MMCF producer. Once this review is completed, the final version of the Key Performance Indicator KPI and Performance Measures PM will be shared with the Leaders Group.

Key Commitments	Preliminary Performance Indicators	Verifiers & Examples of Evidence	Responsibility
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy **	<ul style="list-style-type: none"> Policy is public and readily available on Web Site. CEO's and key staff of each mill (dissolving pulp AND viscose mills) are aware and implementing the policy 	Corporate
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders. **	<ul style="list-style-type: none"> Evidence of policy implementation is required. Action plans, standard operating procedures, management plans that reference being in line with policy, etc... 	Corporate
	1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation. **	<ul style="list-style-type: none"> Policy is posted and employees are aware and fully informed. Fiber procurement manager responsible Evidence includes a signed acknowledgement from key staff that they have read and understand the policy 	Corporate
	1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<ul style="list-style-type: none"> Policy is in place and acted on. Auditor will be provided with organisational charts that describe who is responsible for what 	Corporate
	1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	Evidence includes a range of actions, such as: <ul style="list-style-type: none"> A memo that contains the policy and a description of what it means has been sent to the suppliers. Suppliers have signed a statement that they have read and respect the policy. Policy is referred in new and renegotiated contracts with suppliers. Suppliers are been invited to 	Corporate

		adopt a similar policy, with supportive documentation.	
	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<ul style="list-style-type: none"> Policy elements are required as conditions to be met in contracts to suppliers. 	Corporate
	1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy. **	<ul style="list-style-type: none"> 3 rd party certification to external standards 3 rd party validation of internal audits COC documentation Internal monitoring systems Other tracking systems are in place 	Corporate
	1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders	<ul style="list-style-type: none"> Public and stakeholders has a means to input concerns on forest management and sourcing practices to the company. 	Corporate
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<ul style="list-style-type: none"> Evidence of public concerns are tracked and action items or responses are recorded. 	Corporate
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<ul style="list-style-type: none"> Policy is posted and employees are aware. Training occurred for employees, for instance with purchasing department employees, and a signed training sheet and training agenda are shown as evidence. 	Mills/production sites
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<ul style="list-style-type: none"> Policy is in place and acted on. All fiber plants (viscose mills) key purchasing manager aware of the policy and putting systems in place to be in conformance Evidence of training 	Mills/production sites
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group. **	<ul style="list-style-type: none"> Excel document provided by Canopy filled and shared with Canopy, the Leaders Group and the auditor with confidentiality COC Document Additional evidence such as invoices are provided to the auditor, when required 	Corporate and mills/production sites
	2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest	<ul style="list-style-type: none"> The Excel document provided by Canopy is filled and includes COC tracking numbers, tree species, 	Corporate and mills/production sites

	or plantation of origin.	<ul style="list-style-type: none"> country or origin and forest region/ tenures COC Document 	
	2.3 A risk assessment has been done with the information and shared with Leaders Group.	<ul style="list-style-type: none"> Sourcing from ancient and endangered forests, or risk of suppliers sourcing from these areas is identified, when relevant COC Document 	Corporate
	2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.	<ul style="list-style-type: none"> Excel document provided by Canopy filled and shared with Canopy, the Leaders Group and the auditor in confidence Yearly Review of COC Document and all other elements relevant to the Policy. 	Corporate
	2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<ul style="list-style-type: none"> Producer provides COC tracking numbers. Company audit results are known and shared in the supply chain Company is working with customers to advance a track and trace system Company sells traceable certified products 	Corporate
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	<ul style="list-style-type: none"> Date of plantations is known, evidence includes government papers specifying conversion date Chain of custody reports FSC certificates, when relevant 	Corporate and mills/production sites
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. **	<ul style="list-style-type: none"> Company has adopted the definition of ancient and endangered forest. Forest Management plans with elements of protecting forests with exceptional conservation value such as: <ul style="list-style-type: none"> Protected areas High Conservation Value Forest (HCV) Species at Risk and Threatened and Endangered Species. 	Corporate
	4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that	<ul style="list-style-type: none"> Any sourcing from Canadian and Russian Boreal Forests; Coastal Temperate Rainforests of British Columbia, Alaska and Chile; 	Corporate

	<p>have a high risk of being considered controversial sources have been identified and shared with Leaders Group. **</p>	<p>Tropical forests and peat lands of Indonesia, the Amazon and West Africa has been clearly identified and shared with Canopy, the Leaders Group and the auditor. (Exact forest site will need to be known)</p> <ul style="list-style-type: none"> • For FSC certified forests within ancient and endangered forests, the HCVF reports and COC risk analysis are provided and will be closely analysed, as alone, FSC in ancient and endangered forests is not considered sufficient, additional efforts on conservation could be required. • The company proactively and voluntarily discloses all areas where it is in public conflict with local communities, and shares this information with Canopy, the Leaders Group and the auditor. 	
	<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>If applicable, documentation such as:</p> <ul style="list-style-type: none"> • Invoices • Import documents • Evidence of origin of raw materials and date 	<p>Corporate and mills/production sites</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>	<ul style="list-style-type: none"> • Access to relevant laws and regulations which are appropriate to the locations • Demonstrates commitment to legal compliance. 	<p>Corporate and mills/production sites</p>
	<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **</p>	<ul style="list-style-type: none"> • Verify sourcing policy is in place and part of Environmental Management System or Operating Standard Procedures. • The above KPI/indicators have all been met (4.1, 4.2, 4.3, 4.4,) • Also see section 6 * Any sourcing from controversial sources or ancient and endangered forests (as 	<p>Corporate and mills/production sites</p>

		defined by Canopy maps and controversial area/supplier list) is terminated, except where Canopy and the producer have identified jointly amenable solution processes including elements of voluntary deferrals, commitments to meaningful science-based conservation planning, a path and process to secure FPIC and FSC certification (i.e. Great Bear Rainforests)	
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. **	<ul style="list-style-type: none"> • COC documents by facility. • Enforcement of the policy is in place, with proof, when relevant 	Corporate and mills/production sites
	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.)	<ul style="list-style-type: none"> • Enforcement of the policy is in place, with proof, when relevant 	Corporate and mills/production sites
	5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found. **	<ul style="list-style-type: none"> • Enforcement of the policy is in place, with proof, when relevant 	Corporate and mills/production sites
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	<ul style="list-style-type: none"> • Strong coordination, agreed to solutions and next steps developed with Canopy regularly • Joint meetings with the auditor are organised to discuss interpretation of the audit, concerns, timelines etc • Information and progress updates of the audit is shared with Leaders Group 	Corporate and mills/production sites
*If sourcing from global ancient and endangered forests, the MMCF producer (and/or supplier) is actively undertaking large-scale	6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has	<ul style="list-style-type: none"> • Current mapped areas are identified within the management plans • Potential future areas mapped, for future consideration. • Work with stakeholders to 	Corporate and mills/production sites

scientifically based conservation planning and seeking FSC pure certification for all wood sourcing.	been completed, based on best available science, by a credible third party, and made public. **	<p>identify conservation opportunities</p> <ul style="list-style-type: none"> • Identify conservation thresholds based on science • Agreements are reached identifying and mapping areas for voluntary deferrals 		
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **			Corporate and mills/production sites
	6.4 The MMCF producer has developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	<p>Forest Management plans with elements of protecting forests with exceptional conservation value such as:</p> <ul style="list-style-type: none"> • Protected Areas • High Conservation Value Forest (HCV) • Species at Risk and Threatened and Endangered Species. <p>The Plans have been made public and shared with local stakeholders.</p>		Corporate and mills/production sites
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	<ul style="list-style-type: none"> • Potential future areas mapped. For future consideration and have been communicated to the Public lands managers to be evaluated. • Work with decision makers in government and First Nations to see the conservation area legislated. 		Corporate and mills/production sites
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain	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	<ul style="list-style-type: none"> • Company demonstrates a record of negotiation and consultation with affected First Nations/ indigenous/local communities within fibre basket • Company shows examples of existing agreements, such 		

and affiliated companies	communities. **	<ul style="list-style-type: none"> as MOU's Company has a strategy to develop capacity building and relationship building with affected First Nation /indigenous/local communities 	
	7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers. **	<ul style="list-style-type: none"> Same as above, required of suppliers 	Corporate and mills/production sites
	7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	<ul style="list-style-type: none"> Complaint system is tracked in company Environmental Management System and other Standard Operating Procedures Company is in position to communicate transparently about these complaints and report on how they have been addressed. 	Corporate and mills/production sites
	7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers	<ul style="list-style-type: none"> Evidence of resources to engage in meaningful dialogue with workers, unions etc. 	Corporate and mills/production sites
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	<ul style="list-style-type: none"> Mention of this criteria in contracts with suppliers 	Corporate and mills/production sites
	7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	<ul style="list-style-type: none"> This is a summary of previous criteria 7.1 to 7.5. 	Corporate and mills/production sites
	8. Development of Innovative and Alternative Fiber ^{ix}	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative 8.2 companies and suppliers to explore and encourage the development of new alternative fiber sources that	<ul style="list-style-type: none"> Efforts involving associations and research groups and Universities and/or other partners to develop improved processes in all parts of the value chain. evidence of R&D program commitments and

	reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<ul style="list-style-type: none"> commitment to new technology development Evidence including volumes of viscose produced with alternative fibers, pilot and case studies and \$ invested. 	
	8.3 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.	<ul style="list-style-type: none"> Evidence of R&D programs and commitment to new technology, new fibre sources 	Corporate and mills/production sites
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. **	<ul style="list-style-type: none"> Participating with regional conservation forest planning which include a broad range of stakeholders. Participate in webinars and roundtables Sending letters to decision makers Advocating publically for conservation in conferences, media releases, meetings etc 	Corporate and mills/production sites
	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. **	<ul style="list-style-type: none"> Same as above 	Corporate
	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.	<ul style="list-style-type: none"> Forest Management plans with elements of protecting forests with exceptional conservation value such as: Protected Areas High Conservation Value Forest Species at Risk and Threatened and Endangered Species. 	Corporate and mills/production sites
	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	<p>This KPI is applicable when MMCF producer is connected to forests.</p> <ul style="list-style-type: none"> Forest Management plans with elements of protecting forests with exceptional conservation value such as: Protected Areas 	Corporate and mills/production sites

	government and/or ENGO programs. **	<ul style="list-style-type: none"> • High Conservation Value Forest • Species at Risk and Threatened and Endangered Species. • Another example of this could be threshold based conservation plans for caribou in the Boreal 	
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. **	<ul style="list-style-type: none"> • Management plans meet and exceed the regional and national laws and regulations in terms of Conservation forests, Protected Areas and other timber supply objectives. • Producer policy gives a preference to FSC • Producer mills are FSC COC certified • Producers give preference for FSC fiber in contracts with suppliers and sends them strong market signals • Producer has set internal strategic targets and measures to increase FSC fiber intake over the next 1-3 years • Producer has the ability to sell FSC products through the credit system • Producer has the ability to provide customers with FSC PURE products • Producer engages FSC to pilot new track and trace system for the textile sector. 	Corporate and mills/production sites
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.	<ul style="list-style-type: none"> • Evidence of sustainability system tracking • The sustainability performance is published publicly on an annual basis 	Corporate and mills/production sites
	11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forested peatland at the concession and landscape level (peat dome) and that have identified, withdrawn from and restored peatlands and their hydrology. **	<ul style="list-style-type: none"> • Survey suppliers on specific actions or measures taken to avoid disturbance of High carbon value forests and/or peatlands, or measures undertaken to restore forest/peat ecosystems and their soils and hydrology. • MMCF producer requests sustainability reports from suppliers and evaluates such reports specifically for recognition of the importance 	Mills/production sites

		of forests and peatlands as carbon storehouses and actions taken to conserve these areas	
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</p>	<ul style="list-style-type: none"> Evidence of R&D programs and commitment to new technology development Number of mills and overall volumes produced through closed-loop technology and other best in class emerging technologies. 	Corporate and mills/production sites

Performance Measures

It is recommended that four main Performance Measures (PM) be established to define the benchmarks against which the MMCF producers will be evaluated for each of the 12 key commitments and the subsequent key progress indicators (KPI).

These measure the following range of progress.

1. “commitment met”
2. “commitment in progress” (with possible qualifier “limited”, “moderate” and “significant”)
3. “commitment not met”
4. “insufficient information available”.

Final Results

The goal of this verification process is to differentiate the MMCF producers that present a high environmental risk, carrying out environmentally and socially irresponsible or harmful practices with a high risk to seriously and irreversibly impact ancient and endangered forests and associated communities, through their own practices or through their supply chain’s practices, versus MMCF producers that present a low risk. The final result of the verification will then help customer brands and retailers identify, document and manage the risk of sourcing fabrics from these MMCF producers.

These producers will either be granted the status of “in conformance with”, or “in non-conformance with” their Forest Sourcing Policy and the established critical requirements under this verification framework.

The findings of the verification process and the final report could show a performance variation from one manufacturing facility to the other, under the same MMCF producer. However, the expectation is that all the operations of the MMCF producers are evaluated against the Policy, and that all the manufacturing facilities and their supply chain must be verified as low risk of sourcing from ancient and endangered forests for customers and supply chain partners to conclude that the MMCF producers are in conformance with their policies. This is to create a level playing field for the entire industry.

CONFORMANCE AND NON CONFORMANCE CLAIMS WITH CRITICAL VERSUS PROGRESSIVE KPI

The auditors produce a final audit report, based on a set of pre-identified “critical” KPIs, and this report will be made public. In addition, the auditor will provide details about the performance on KPI’s considered “critical” and “progressive.” The auditor will give recommendations (could be posed as major corrective actions for critical KPIs and corrective actions for non critical KPIs) on both sets of KPIs with the expectation that the producers immediately address critical KPIs and make progress on “progressive” KPIs over time. All of this information will be detailed and publically available in the final report.

ANNEX 1 Template Forest Sourcing Policy for MMCF producer – approved by Fashion and Textile Leaders for Forest Conservation Working Group

ANNEX 2 The MMCF Solutions Pathway

ANNEX 3 Key Performance Indicators for Mills (Extracted)

ANNEX 4 Key Performance Indicators for Forests/Plantations (Extracted)

ANNEXE 3

List of KPIs and verifiers for a viscose or dissolving pulp mill level verification audits

A supplier owned mill or corporate owned mill can be audited to the following verifiers if they have been chosen due to the following risks:

- *This mill is located in a country where additional due diligence to verify the local sourcing information is consistent with the global sourcing information gathered through the desktop audit.*
- *Corporate desktop audit has identified the mill to be sourcing from regions in proximity to Ancient and Endangered forests and other controversial sources.*

Note: Peach highlighted indicators are for mills that have an identified risk for social indicators as a result of the desktop audit.

Key Commitments	Preliminary Performance Indicators	Responsibility	Applicability	Verifiers and Examples of Evidence
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it. **	All Mills/production sites	All mills/production sites within supply chain.	<ul style="list-style-type: none"> • Policy is posted and employees are aware. • Training occurred for employees, for instance with purchasing department employees, and a signed training sheet and agenda are shown as evidence.
	1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **	All Mills/production sites	All mills/production sites within supply chain.	<ul style="list-style-type: none"> • Policy is in place and acted on. • All fiber plants (viscose mills) key purchasing manager aware of the policy and putting systems in place to be in conformance • Evidence of training • Interviews
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 desktop audit	2.6 The production site/mill maintains all <u>purchase and sales</u> , documentation related to the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	Mills/production sites that have purchasing responsibilities.	Mills with procurement/purchasing responsibilities and /or Supplier owned mills.	<ul style="list-style-type: none"> • Incoming invoices • Sales contracts with suppliers
	2.7 The mill/production site maintains all <u>delivery</u> documentation received with the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	All mills/production sites	All mills/production sites within supply chain	<ul style="list-style-type: none"> • All types of incoming <u>delivery documentation</u> • import documentation,

	2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.	All mills/production sites	All mills/production sites within supply chain	<ul style="list-style-type: none"> Invoices with certified codes and claims Delivery documentation with certified codes and claims.
	2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.	Mills/production sites that have purchasing responsibilities.	Mills with procurement/purchasing responsibilities and /or Supplier owned mills.	<ul style="list-style-type: none"> Identification of all tree species used at the mill Samples of woodchips or pulp
	2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant	All production/mills	Mill level supplier	<ul style="list-style-type: none"> Outgoing invoices Outgoing delivery documentation can include bills of lading, delivery tickets, etc.
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	All production sites/mills	All mills/production sites	<ul style="list-style-type: none"> Access to relevant laws and regulations which are appropriate to the locations Demonstrates commitment to legal compliance. Holds an FSC certification for all materials in scope
	4.5 Production site/mill understands the definitions of Ancient and Endanger forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources	All production sites/mills	All mills/production sites.	<ul style="list-style-type: none"> Interviews with responsible staff Observations during the onsite audit Reconciliation of documentation on site with corporate reporting.
	4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply	All Mills/production sites	Mill level supplier Not applicable to corporate owned mills with no purchasing responsibilities.	<ul style="list-style-type: none"> Maps of wood supply areas with identification of controversial forest areas as defined by Fiber sourcing policy

	areas.			
	4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.	All Mills/production sites	Mill level supplier Applicable to corporate owned mills with no purchasing responsibilities as well as supplier owned mills.	Results of the CanopyStyle audit for indicators 4.4-4.6
5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying nonconformances to the CanopyStyle policy and sanctions to suppliers in such cases where non conformances are identified.	Mills/production sites that have purchasing responsibilities	Mill level supplier Not applicable to corporate owned mills with no purchasing responsibilities.	<ul style="list-style-type: none"> • documented procedures • examples of sanction actions.
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The production site/mill 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. **	All non-FSC certified mills	NA for mills that hold FSC certificates with a scope of their entire operation.	<ul style="list-style-type: none"> • Company holds an FSC certificate that covers the entire scope of its operations. • Company demonstrates a record of negotiation and consultation with affected First Nations/indigenous/local communities within fibre basket • Company shows examples of existing agreements, such as MOU's Company has a strategy to develop capacity building and relationship building with affected First Nation /indigenous/local communities
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and	7.2 Production site/mills document how they conform with the MMCF producer's commitment to recognize and	All non-FSC certified mills	NA for mills that hold FSC certificates with a scope of their entire operation.	<ul style="list-style-type: none"> • Same as above, required of suppliers

workers affected by the operations of their supply chain and affiliated companies	respect human rights, community rights, First Nations rights and rights of workers. **			
	7.3 The production site/mills show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	All non-FSC certified mills	NA for mills that hold FSC certificates with a scope of their entire operation.	<ul style="list-style-type: none"> Complaint system is tracked in company Environmental Management System and other Standard Operating Procedures Company is in position to communicate transparently about these complaints and report on how they have been addressed
	7.4 The production site/mill and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers	All non-FSC certified mills	NA for mills that hold FSC certificates with a scope of their entire operation.	<ul style="list-style-type: none"> Evidence of resources to engage in meaningful dialogue with workers, unions etc.
	7.5 The production site/mill has developed procedures to ensure commitment to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	All non-FSC certified mills	NA for mills that hold FSC certificates with a scope of their entire operation.	<ul style="list-style-type: none"> Mention of this criteria in contracts with suppliers
	7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	All non-FSC certified mills	NA for mills that hold FSC certificates with a scope of their entire operation.	<ul style="list-style-type: none"> This is a summary of previous criteria 7.1 to 7.5

ANNEXE 4

List of KPI and verifiers for forest level verification audits:

A supplier that has forest harvesting operations, or subcontracts it, can be audited to the following verifiers if they have been chosen due to :

- The supplier operations and forest management unit is in proximity to Ancient and Endangered forests or controversial sources.
- A desktop audit at the corporate level has identified the location of the supply, to be in proximity to Ancient and Endangered forests or controversial sources.

Note: Peach highlighted indicators are for forests/plantations that have an identified risk for social indicators as a result of the desktop audit.

Key Commitments	Preliminary Performance Indicators	Responsibility	Applicability	Verifiers and Examples of Evidence
1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	1.10 The suppliers are aware of the policy and understand their responsibilities to be in full compliance with it.	All suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • Policy is posted and employees are aware. • Training occurred for employees, for instance with purchasing department employees, and a signed training sheet and agenda are shown as evidence.
	1.11 The supplier has procedures in place that shows it is compliant with the MMCF producer's policy	All suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • Suppliers field staff demonstrate awareness and understanding of procedures to meet MMCF producer policy.
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 desktop audit	2.10 The suppliers provide sales and transportation documents that include forest/plantation of origin and certification status if relevant.	All suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • All types of <u>delivery documentation</u>, import documentation, input documentation by volume, output documentation by volume • invoices with certified codes and claims • sales documentation, contracts, invoices, transportation documents
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate.	All forest level suppliers (To be verified in the forest/plantations that are certified by PEFC and FSC CW wood standards or not certified.)	Forest/plantation level supplier	<ul style="list-style-type: none"> • Date of plantations is known, • evidence includes government papers specifying conversion date • Chain of custody reports • FSC certificates,

<p>4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated</p>	<p>4.4 The supplier 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>All forest level suppliers</p>	<p>Forest/plantation level supplier</p>	<ul style="list-style-type: none"> • Access to relevant laws and regulations which are appropriate to the locations • Demonstrates commitment to legal compliance. • FSC certification or PEFC certification in countries with a CPI score above 50.
	<p>4.5 Forests/Plantation wood suppliers comply with the commitment to not supply wood from: Ancient and Endangered forests and controversial sources. The also demonstrate an understanding of the definitions of Ancient and Endangered forests and controversial sources.</p>	<p>All forest level suppliers</p>	<p>Forest/plantation level supplier</p>	
	<p>4.6 Suppliers have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p>All forest level suppliers</p>	<p>Forest/plantation level supplier</p>	<ul style="list-style-type: none"> • Maps of wood supply areas with identification of controversial forest areas as defined by Fiber sourcing policy
	<p>4.7 The sourcing from regions that contain ancient and endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p>All suppliers</p>	<p>Forest/plantation level supplier</p>	
<p>7. The MDCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies</p>	<p>7.1 The production site/mill has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **</p>	<p>All forest level suppliers</p>	<p>Forest/plantation level supplier</p>	<ul style="list-style-type: none"> • Company holds an FSC certificate that covers the entire scope of its operations. • Company demonstrates a record of negotiation and consultation with affected First Nations/indigenous/local communities within fibre basket • Company shows examples of existing agreements, such as

				<p>MOU's</p> <p>Company has a strategy to develop capacity building and relationship building with affected First Nation /indigenous/local communities</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>**</p>	All forest level suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • Same as above, required of suppliers
	<p>7.3 The MMCF producer and its suppliers show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.</p>	All forest level suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • Complaint system is tracked in company Environmental Management System and other Standard Operating Procedures • Company is in position to communicate transparently about these complaints and report on how they have been addressed
	<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>	All forest level suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • Evidence of resources to engage in meaningful dialogue with workers, unions etc.
	<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	All forest level suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • Mention of this criteria in contracts with suppliers
	<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to</p>	All forest level suppliers	Forest/plantation level supplier	<ul style="list-style-type: none"> • This is a summary of previous criteria 7.1 to 7.5

	resolve social conflicts and remedy past or current human rights violations. **			
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ⁱ Ancient and Endangered Forest Ancient and endangered forests are defined as intact forest landscape mosaics, naturally rare forest types, forest types that have been made rare due to human activity, and/or other forests that are ecologically critical for the protection of biological diversity. Ecological components of endangered forests are: Intact forest landscapes; Remnant forests and restoration cores; Landscape connectivity; Rare forest types; Forests of high species richness; Forests containing high concentrations of rare and endangered species; Forests of high endemism; Core habitat for focal species; Forests exhibiting rare ecological and evolutionary phenomena. As a starting point to geographically locate ancient and endangered forests, maps of High Conservation Value Forests (HCVF), as defined by the Forest Stewardship Council (FSC), and of intact forest landscapes (IFL), can be used and paired with maps of other key ecological values like the habitat range of key endangered species and forests containing high concentrations of terrestrial carbon and High Carbon Stocks (HCS). (The Wye River Coalition's Endangered Forests: High Conservation Value Forests Protection – Guidance for Corporate Commitments. This has been reviewed by conservation groups, corporations, and scientists such as Dr. Jim Stritholt, President and Executive Director of the Conservation Biology Institute, and has been adopted by corporations for their forest sourcing policies). Key endangered forests globally are 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. For more information on the definitions of ancient and endangered forests, please go to: <http://canopyplanet.org/index.php?page=science-behind-the-brand>

ⁱⁱ Intact Forest Landscape (IFL) is an unbroken expanse of natural ecosystems within the zone of current forest extent, showing no signs of significant human activity, and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained. (<http://www.intactforests.org/world.map.html>)

ⁱⁱⁱ Peatland is an area with an accumulation of partly decomposed organic matter with ash content equal to or less than 35%, peat depth equal to or deeper than 50 cm, and organic carbon content (by weight) of at least 12%. Tropical Peatlands (peat soils) (Histosols) are defined as organic soils with 65% or more organic matter.

^{iv} Primary, high, medium and low-density forests and regenerating forests are recognized as High Carbon Stock (HCS) forests. HCS forests in Indonesia and Malaysia are defined as natural forest areas with above ground carbon stocks above a threshold set in the range of 25-70 tons of carbon per hectare. More precise carbon thresholds for regenerating forests tailored to particular ecosystem types and landscapes must be assessed and agreed upon via a credible review process with the involvement and agreement of NGOs, companies and the parties that developed the HCS concept, definitions and associated methodology to identify and conserve High Carbon Stock.

^v As defined by the FSC and High Conservation Value Resource Network (<http://www.hcvnetwork.org/>), High Conservation Value (HCV) areas contain particularly important conservation values including rare, threatened and endangered species and their habitat and areas with cultural or livelihood significance for local communities.

^{vi} Origin refers to the plantation, forest tenure or concession where the trees have been logged.

^{vii} Legal forest management is management that complies with all applicable international, national, and local laws, including environmental, forestry, and civil rights laws and treaties.

^{viii} No deforestation means no direct human-induced conversion of natural forests, including primary forests, High Conservation Value (HCV) areas, and High Carbon Stock (HCS) forests to non-forests with an exception for small-scale low intensity conversion by communities to meet basic direct livelihood needs.

^{ix} Agricultural residues are residues/by-products left over from food production or other processes and using them maximizes the lifecycle of the fiber. Depending on how they are harvested, fibers may include flax, bagasse, and hemp.