

23 May 2017

The following report is a compilation of audits evaluating *Lenzing Aktiengesellschaft* to the CanopyStyle Verification Framework and Guidelines. The first audit of Lenzing headquarters began in April 2016, with 3 later additional visits to evaluate risks of sourcing from ancient and endangered forests and other controversial sources. The audit process included a robust risk assessment of Lenzing's current supply chains of wood and pulp.

Key findings of Lenzing's audit include:

- Current Lenzing™ fibers supply chains are confirmed as low risk for sourcing from ancient and endangered forests or other controversial sources, excluding small volumes of trial material.
- A comprehensive understanding of their supply chain structure and the geography of all dissolving wood pulp manufacturers.
- A strong commitment to the company policy to avoid sourcing from ancient and endangered forests.

Lenzing commits to further full cooperation with the CanopyStyle Pathway and to improving existing processes and is developing a scheme to include Rainforest Alliance and Canopy into risk assessment of new supply chains.

Moving forward, the report suggest the company could improve their annual audit results by:

- Collecting more specific data on the forest of origin of the materials being received.
- Build on Lenzing's existing chain of custody and certified material sources to include certification claims on supporting sales and delivery documentation
- Continue their leadership with products containing recycled content and progressively forward the use of closed loop fibres
- Act to forward conservation solutions in the world's ancient and endangered forests
- Applying the sourcing policy and systems to all trial materials
- Pass along forest of origin and certification claims to customers

The 3 reports\*\* compiled herein this document are:

- Lenzing Desktop Audit (April 2016)
- Lenzing Nanjing Fibers Co. Ltd. (September 2016)
- PT. South Pacific Viscose (September 2016)

*\* Any change in supply chains would require a re-evaluation*

*\*\* An additional supplier verification audit was conducted in the Vologda region of Russia on 30 January 2017. The public report will be posted as soon as possible.*



RA-Cert Division Headquarters  
65 Millet St. Suite 201  
Richmond, VT 05477 USA  
Tel: 802-434-5491  
Fax: 802-434-3116  
[www.rainforest-alliance.org](http://www.rainforest-alliance.org)

Contact Person: Walter Smith  
Email: [wsmith@ra.org](mailto:wsmith@ra.org)

CanopyStyle Verification and  
Guidelines  
**Evaluation**  
Report for:

Lenzing Aktiengesellschaft  
in  
Lenzing, Austria

Report Finalized: 21 May 2017  
Evaluation Dates: 6 and 7 April 2016  
Evaluation Team: Elena Sosa del Cerro  
Walter Smith

Address: Corporate Sustainability  
4860 Lenzing, Austria

## Table of Contents

1	INTRODUCTION .....	3
2	GENERAL DESCRIPTION.....	4
3	EVALUATION SCOPE .....	4
4	EVALUATION RESULT.....	5
5	EVALUATION PROCESS .....	7
	Appendix A: ORGANIZATION DETAILS .....	10
	Appendix B: EVALUATION CHECKLIST .....	11

# 1 INTRODUCTION

The purpose of this report is to document performance of **Lenzing Aktiengesellschaft**, hereafter referred to as the “Organization”, against the requirements of the Verification Framework and Guidelines, (March 2016 version) developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>1</sup> and the over 60 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial areas and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, such as Lenzing, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators.

The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy’s map of ancient and endangered forests which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk. The maps will be made public and available to producers in the coming months.

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

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

---

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

## 2 GENERAL DESCRIPTION

The Lenzing Group is a global market leader in man-made cellulose production. Headquartered in Austria with production facilities in Austria, Czech Republic, USA, UK, China and Indonesia and a worldwide network of sales and marketing offices. Lenzing's product portfolio ranges from dissolving pulp, standard and specialty cellulose fibers to engineering services. Cellulose fibers are produced from the raw material wood and position halfway between natural and chemical fibers. They are used for textile fibers and non-woven fibers. In 2009 Lenzing's first published their Pulp Sourcing Policy, which was updated regularly since then. The latest version can be found at <http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html>. In 2016 they have defined the target that all Lenzing sites will be FSC and PEFC certified. As of today, more than 99% of Lenzing's wood and pulp supply is either certified or from controlled wood sources. 26.7% of Lenzing's wood and pulp supply is from FSC certified sources. All wood and pulp purchases are made centrally in Lenzing, Austria. All the pulp supplied by companies external to Lenzing is bought through a daughter organization Pulp Trading GmbH (PTG), who is FSC and FSC CW certified and ensures that all external pulp is either FSC or FSC Controlled Wood certified. For pulp coming from Lenzing's own Lenzing and Paskov sites, the Lenzing Central Office performs risk assessments. The company has developed a new sustainability strategy (planned to be published publicly end of 2016).

More information can be found on their website <http://www.lenzing.com/en/lenzing-group/strategy.html> and on their sustainability reports: <http://www.lenzing.com/en/press/publications/sustainability-reports.html>. Lenzing's wood fibre sourcing policy states (at the time of the audit):

"We strive to source wood and pulp exclusively from non-controversial sources, preferring suppliers participating in credible forest certification programs.

Controversial sources include wood which has been harvested:

- illegally
- from forests of high conservation value, including ancient and endangered forests, and endangered species habitats
- from plantations established after 1994 through significant conversion of natural forests or converted to non-forest use
- from forests or plantations growing genetically modified trees
- in violation of traditional, community and/or civil rights
- in violation of any of the ILO Core Conventions as defined in the ILO Declaration on Fundamental Principles and Rights at Work".

## 3 EVALUATION SCOPE

### 3.1 Scope

The Lenzing production and sourcing practices for dissolving pulp and man made cellulose fibers (viscose, rayon and all trademarked man-made cellulose) are audited under a single scope against the requirements of the CanopyStyle Verification Framework and Guidelines, (March 2016 version). The objective of this audit is to gather appropriate evidence to verify whether ancient and endangered forests and/or controversial sources are potentially in the supply chain. Where risk is moderate to high, and when documents provided are limited or insufficient to come to such conclusion with certainty, additional onsite audits would be required at any of the mills or suppliers.

### 3.2 Number of sites included in this Evaluation 9

Name/Description of sites	Location
Lenzing Viscose production site	Lenzing, Austria
Lenzing TENCEL® production site	Lenzing, Austria
Purwakarta Viscose production site	Purwakarta, Indonesia
Nanjing Viscose production site	Nanjing, China
Mobile TENCEL® production site	Mobile, USA
Heiligenkreuz TENCEL® production site	Heiligenkreuz, Austria
Grimsby TENCEL® production site	Grimsby, UK
Lenzing pulp production site	Lenzing, Austria
Paskov pulp production site	Paskov, Czech Republic

Future annual audits will make sure that any additional Lenzing viscose and \ or dissolving pulp facilities, that will either open or be converted, will be included.

## 4 EVALUATION RESULT

### 4.1 Evaluation Conclusion

During the month of April 2016, the Rainforest Alliance conducted an independent third party verification audit of the progress made by Lenzing Aktiengesellschaft in implementing the commitment of the **Lenzing Wood and Pulp Policy** to document the risk of sourcing from the world's ancient and endangered forests and other controversial areas, as well as additional related sustainability solutions and targets of the CanopyStyle Initiative<sup>2</sup>. The CanopyStyle Verification Framework and Guidelines are new. This audit is the first that Lenzing has undertaken and systems required by the Guidelines have not been in place long enough for many indicators to be fully evaluated.

The Rainforest Alliance verification audit reports that Lenzing progress to meet these commitments varies. This report documents the progressive and critical indicators (key performance indicators or KPIs) that have been fully met, those that are in partial conformance and those that are not in conformance, and specifies why. Lenzing Aktiengesellschaft is expected to immediately address the critical KPIs that have not been met or that are partially met, and make progress on the "progressive" KPIs over time.

#### Critical criteria

Overall, the progress to meet the CanopyStyle commitments varies. Rainforest Alliance has found that Lenzing Aktiengesellschaft has met the critical commitments to the following indicators: 1.1, 1.3, 1.5, 1.10, 2.1, 3.1, 4.4, 5.1, 5.3. At the same time, Lenzing Aktiengesellschaft has partially met (commitment in progress): 1.2, 1.6, 1.7, 4.1, 4.2, 4.5, 5.2, 6.1, 7.1, 7.2, 7.5, 8.1, 9.1, 10.1, 11.2. Lenzing Aktiengesellschaft has not met: 2.1, 9.4.

#### Progressive criteria

---

<sup>2</sup> The CanopyStyle Initiative is led by environmental not-for-profit Canopy which, to date, has supported over 60 brands, designers and retailers, as well as 9 of the top 10 largest global producers, on developing sourcing policies for fabrics made from forests.

Rainforest Alliance has found that Lenzing Aktiengesellschaft has met the progressive commitments to 1.4, 2.2, 8.2, 11.1. At the same time, Lenzing Aktiengesellschaft has partially met (commitment in progress): 1.8, 2.3, 2.4, 2.5, 7.3, 7.4, 12.1. Lenzing Aktiengesellschaft has not met 9.3.

## **4.2 Overall Summary of Results**

In summary, the Rainforest Alliance verification audit provides evidence confirming that Lenzing Aktiengesellschaft is investing in work and resources to implement the commitments of its policy consistent with the solutions and targets of the CanopyStyle Initiative. Some challenges remain to fully implement the commitment throughout the company's supply chain. Additional work is required to fully meet all of the critical and progressive criteria, and to lower the risk of sourcing from ancient and endangered forests and other controversial sources. Based on our initial review, we recommend further sharing of information and site visits in three areas to complete the requirements of the verification framework and allow for robust analysis and conclusions.

This includes a supplier visit in Russia, Nanjing Viscose fiber mill, and Purwakarta Viscose fiber mill. A third party site evaluation is needed of Russia based on the risk of Ancient and Endangered forests and/or controversial sources entering the supply chain. A field evaluation of Purwakarta Viscose is needed given its high risk geography and Nanjing Viscose to confirm that sourcing information is consistent.

Ongoing annual audits will be essential to ensure Lenzing Aktiengesellschaft continues to implement their policy and meet the expectations of the CanopyStyle Initiative.

### 4.3 Performance Measures

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

	Not Applicable	Is not applicable to the site or to the organization
1	Commitment met	Full conformance with indicator
2	Commitment in Progress	Partial conformance
3	Commitment not met	Non-Conformance
4	Insufficient information available	

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

## 5 EVALUATION PROCESS

### 5.1 Evaluation Requirements

Standard/Guidelines used for the evaluation:	CanopyStyle Verification Framework and Guidelines for Viscose producers
----------------------------------------------	-------------------------------------------------------------------------

### 5.2 Evaluators and qualifications:

Name	Elena Sosa del Cerro	Role	Lead Auditor
Qualifications:	Forestry Lead for the Markets Transformation Division at Rainforest Alliance. Elena assists retailers and brand companies that seek to successfully implement responsibly their worldwide forest-based products sourcing programs, with the objective of avoiding risks in their supply chains that could be associated to deforestation and/or unsustainable forest management practices. She is FSC Lead auditor trained as has participated in more than 40 audits and assessments in Europe, USA and Africa. Elena joined the Rainforest Alliance in 2007 and has more than 10 years of professional experience in the environmental auditing and consulting fields.		
Name	Walter Smith	Role	Support and report review
Qualifications:	Rainforest Alliance's Senior Manager of Assurance Services, has 17 years of experience in logging, training, forest resource and business management and 25 years of experience in Forest Stewardship Council (FSC) and Sustainable Agriculture Network (SAN) type certification auditing, training, marketing and program management. He has worked North America, Asia and Africa on over 400 forest management, chain of custody, controlled wood and legal origin audits. He was part of the Rainforest Alliance's Asia Pulp and Paper evaluation senior management team.		



### 5.3 Evaluation schedule

Date	Location /Main sites	Principal Activities
6 April 2016	Lenzing Central Office and Lenzing production sites (Lenzing, Austria)	Overview of Lenzing's group and documentation review. Visit of the production areas. Interviews with relevant Lenzing staff and PTG.
7 April 2016	Lenzing Central Office (Lenzing, Austria)	Overview of wood inputs for Lenzing's own pulp sites (Lenzing and Paskov). Visit to one supplier of round wood in Austria.
20 April 2016	Desk audit	Receive the draft Map of Ancient and Endangered Forests from Canopy and review sourcing data against it.
8 – 20 May 2016	Desk audit	Request further information from suppliers and Lenzing, report writing

#### Audit process – Day 1:

The audit started with a presentation about the Lenzing Group, its structure and an overview of the sustainability strategy, including sustainable wood sourcing. Following to the presentation, examples of purchase documentation (invoices from pulp suppliers to Pulp Trading GmbH (PTG) and from PTG to each of Lenzing's sites) were reviewed. In the afternoon, the auditor was taken on a tour of the manufacturing process and storing yards at Lenzing site and reviewed how materials are received and enter the different stages of the production process. Personnel from sales was briefly interviewed to understand the level of awareness of the wood policy. After the tour, PTG joined via videoconference and a full review of the different pulp suppliers and their wood sources was performed. FSC certifications and risk assessments of the different pulp sources were reviewed. By the end of the day, other remaining aspects of the standard were assessed: complaints mechanisms, GHG management, alternative fibres and production processes.

#### Day 2:

The day started with an interview) to understand the stakeholder grievance and complaints mechanism, as well as how compliance with the wood policy is included as a requirement in the contract terms with suppliers. After that, the audit focused on the review of the wood sources used to feed the two Lenzing's pulp mills (Lenzing and Paskov). Lenzing's wood procurement team made a presentation showing the forest areas from where they source and the results of the risk assessments of these sources. The auditor reviewed other additional supporting documentation, including externally verified reports for some of the sources and examples of signed contracts. After going through the procedures for wood sourcing, in the afternoon a visit to a forest supplier nearby was held. Full list of departments/personnel interviewed:

- Corporate Sustainability
- Global Quality Manager
- Wood Procurement
- Senior Vice President of Wood and Pulp Activities
- PTG Accounting
- Fiber Sales
- Product Safety and Regulatory
- Nonwoven Business Management
- Technical Customer Service
- Senior Sustainability Manager

List of Documents reviewed:

- Lenzing's inputs of wood and pulp for each of the sites for the years 2014 and 2015
- Lenzing's detailed inputs of pulp and outputs of Indonesia site

- Contracts with forest management units for wood destined to pulp dissolving sites
- Invoices from external pulp suppliers to Lenzing's daughter company daughter organization Pulp Trading GmbH (PTG)
- Risk assessment results for non-certified sources
- FSC Forest Management 2015 audit report for Russian sources
- Explanatory e-mails and risk assessments from pulp suppliers Lenzing's GHG and pollution prevention strategy and data
- Canopy Map of Ancient and Endangered Forests

#### **5.4 Additional Information Received**

After the closing meeting for the desktop audit, but prior to the report finalization the organization provided the following updated information on policy revisions: "We have published Sustainability Report together with Sustainability Strategy (p16) and Sustainability Policy on April 22<sup>nd</sup> 2017. There is also an updated wood&pulp sourcing policy, Business Code of Conduct and Supplier Code of Conduct on our website (s. links below). [http://www.lenzing.com/fileadmin/template/pdf/konzern/nachhaltigkeit/LENZING\\_Sustainability\\_Report\\_2016\\_EN.pdf](http://www.lenzing.com/fileadmin/template/pdf/konzern/nachhaltigkeit/LENZING_Sustainability_Report_2016_EN.pdf) <http://www.lenzing.com/fileadmin/template/pdf/konzern/verantwortung/2017-04-18-Sustainability-Policy-EN.pdf> <http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html> [http://www.lenzing.com/fileadmin/template/pdf/konzern/lenzing\\_gruppe/code\\_of\\_conduct.pdf](http://www.lenzing.com/fileadmin/template/pdf/konzern/lenzing_gruppe/code_of_conduct.pdf) <http://www.lenzing.com/en/lenzing-group/philosophy/supplier-code-of-conduct.html>" Findings 1.1 and 4.1 have been updated with "May 2017 updated evidence" in findings and gradings updated as relevant.

## APPENDICES

### Appendix A: ORGANIZATION DETAILS

Organization information	
Legal name:	Lenzing AG
Legal jurisdiction:	Austria
Ownership and land tenure description (legal and customary)	
Type of legal entity:	Joint-stock company
Address:	Werkstraße 2 4860 Lenzing, Austria
Tel/FAX/email:	+43 (0) 7672 701-0
Website:	<a href="http://www.lenzing.com">www.lenzing.com</a>

## Appendix B: EVALUATION CHECKLIST

### Canopy Verification Framework and Guidelines for Viscose producers

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings:
1.1 Senior executive and key managers make a publically available commitment to full implementation of the forest sourcing policy. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The organization has a publicly available policy including all the elements required by the standard. <u>May 2017</u>  <u>Updates:</u>  <i>The organization has made updates to its policy and can be found at:</i>  <a href="http://www.lenzing.com/en/responsibility/ecological-responsibility/wood-and-pulp-policy.html">http://www.lenzing.com/en/responsibility/ecological-responsibility/wood-and-pulp-policy.html</a></p>
1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy with input from and agreement of civil society stakeholders.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            The organization does not yet have specific procedures for Canopy criteria, although they have procedures for the FSC standard that applies to all the sites: internal guidelines, document control, marketing, sales, fiber trading. FSC COC, procedures also include record keeping, FSC training. PTG, as a FSC certified operation, also has procedures: FSC COC, GSC CW verification and complaint. These internal procedures have not been consulted with civil society stakeholders. The organization has planned to develop written procedures for the Canopy verification guidelines once they fully understand what is required and the report findings have been confirmed.</p>
1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            Senior Vice President of Wood and Pulp Activities, is the responsible person for the global implementation of the policy.</p>
1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

	<input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> On an operational basis, Wood Purchasing department, is in charge for the implementation at the Lenzing and Paskov pulp production sites as is PTG (Lenzing's daughter company that makes the external purchases of pulp) on the external pulp supply side. The Global Quality Manager is in charge of the FSC COC certification of the group. The Head of Corporate Sustainability, is also overlooking the implementation of the policy. With the new organization structure they will probably have one more person working on this area in the near future.
1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers. **	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The organization communicates this policy on a regular basis in the form of technical meetings and one on one communications,. In addition, whenever an FSC /PEFC audit is done the policy communicated. The organization has explained that the European Timber Regulation (EUTR) has helped because now suppliers understand that this is a legal requirement (Lenzing's contract template with wood suppliers includes the requirement of disclosing full information and documentation from the supply chain).  During the interview with product Safety and regulatory it was explained that the new Supplier Code of Conduct (see 1.6) will include explicit language for the need of compliance with Lenzing's wood sourcing policy. The implementation of this last point is expected for the end of 2016. This will be monitored again in next annual audit.
1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> For new suppliers and existing ones, they have included in the contract that they ask purchasing contracts, where information about the country of origin, certification status and legality is asked. Additional contract languages that capture full policy criteria should be included moving forward.  The organization is also currently working on a new Supplier Code of Conduct that will be part of the Terms and Conditions of the contracts and that explicitly requires suppliers to comply with Lenzing wood and environmental policies, among others. In case of non compliance, it is

	<p>stated an action plan where supplier agrees to implement action plans or they will be withdrawn from the supply chain. It is planned that all suppliers will have signed this new code of conduct by the end of 2016. This will be monitored again in next annual audit.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Wood procurement assesses all their supplier sources based on the origin information and certification status they receive from their suppliers in the supplier contracts. They perform a risk assessment against the FSC CW standards. These contracts are renewed annually.</p> <p>In addition, and as part of the implementation of the FSC system at the group level, the organization is working on detailed written procedures to cover this point. However, certification alone does not indicate supplier conformance with the wood sourcing policy. Additional system to monitor supplier conformance against key policy indicators is required.</p>
<p>1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The company can receive inputs from stakeholders via the contact details provided in different places of their website. It was explained that currently the organization is working on an IT based system to better collect concerns from stakeholders, including the civil society. However, it is unclear that a procedure to arbitrate complaints is part of the system.</p> <p>This procedure has not been consulted with civil society stakeholders.</p>
<p>1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The CanopyStyle Verification Framework and Guidelines are new. This audit is the first that Lenzing has undertaken and systems required by the Guidelines have not been in place long enough for this indicator to be evaluated. Indicator 1.9 would be applicable during a follow-up annual audit. However, all the internal and external complaints are documented in a CRM and can come from an anonymous source. Depending on the topic</p>

	<p>and the content of the complaint, this will be forwarded to the relevant contact person. The follow-up actions are also documented.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Lenzing is centralized and these tasks are all performed from the Lenzing site, either by the wood procurement department or by PTG. They also have consent forms for FSC for each site where central office (Lenzing) says that they will give regulatory advice that they need to comply with.</p>
<p>1.11 Each production site managers has developed procedures to implement the Policy, when relevant.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  See 1.10</p>
<p><b>Observation:</b></p> <p>It would benefit Lenzing to develop a transparent way to engage stakeholders. Stakeholders are an essential ingredient in establishing a credible environmental and social policy. Stakeholders do not just respond to or correspond with the forest managers, but they want to know that manufacturers, traders and retailers are making sure that their supply chain meets society's expectations. A good rapport with stakeholders can enhance recognition of those companies who are making a sincere effort to reduce their environmental footprint, enhance community and worker benefits and protect human rights.</p> <p>The company's efforts towards forest certification are important and should be recognized. Additional implementation measures are needed to meet all of the commitments within the policy with regards to not sourcing from ancient and endangered forests. Initially looking to certification is recommended. However, in areas of moderate to high risk of sourcing from Ancient and Endangered Forests, controversial sources or other areas of policy commitments, certification may be limited in scope and not sufficient or consistent with the expectations of the CanopyStyle Initiative.</p> <p>A grievance procedure is more than collecting complaints, but a procedure for arbitrating complaints and grievances to the satisfaction of both parties when warranted.</p> <p>Having Lenzing's suppliers sign the new Code of Conduct by the end of 2016, with clear mention of the commitment not to source from ancient and endangered forests, will be key.</p>	

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

Indicators	Findings:
<p>2.1 An assessment of the MMCF producer supply chain has been completed globally and shared with Leaders Group. This assessment will be updated every year and shared with the Leaders Group.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input checked="" type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization participates regularly (at least once a year) on meetings with Canopy and the Leaders Group, where they show and discuss some results of their risk assessments with the group, in addition to overall progress in policy implementation.</p> <p>Lenzing has provided Canopy with a matrix that describes their global supply chain and list of suppliers, but they have expressed explicit concerns and have not shared it with the Leaders Group. The Excel matrix identifies suppliers and types of inputs (species of tree or other materials), certification info, origin of forest, Ancient or endangered forest, fibre sourcing, % of FSC, % of PEFC fiber, % of internal third party audit.</p>
<p>2.2 The assessment identifies all suppliers in the chain beginning at the forest or plantation of origin, that supply the MMCF mills</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization knows all countries of origin of the mills and the forests and most of the exact locations of the FMUs. Where they cannot identify the FMU they rely on certification: all the pulp suppliers are certified. One supplier gained FSC CW in early 2016. Prior to that risk assessments have been performed</p>
<p>2.3 A risk assessment has been done with the information and shared with Leaders Group.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization has done risk assessments for all their sources, resulting in a self assessment of low risk. The organization participates regularly (at least once a year) on meetings with Canopy and the Leaders Group, where they show and discuss the results of their risk assessments with the group. The results can be found on their 2012 sustainability report <a href="http://www.lenzing.com/fileadmin/template/pdf/konzern/nachhaltigkeit/Sustainability_Report_2012_EN.pdf">http://www.lenzing.com/fileadmin/template/pdf/konzern/nachhaltigkeit/Sustainability_Report_2012_EN.pdf</a> and the organization regularly updates information about the origin of their sources on their website.</p> <p>FSC controlled wood and SFI risk assessments are not a</p>



	replacement for risk assessment against the specific requirements of the policy commitments.
2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  See 2.3: the organization participates in meetings with the Leaders group. The supply chain assessments have been provided to Canopy and the auditor, but not the Leaders Group.</p> <p>In addition, the organization has explained that they have received queries from their investors regarding their wood sources and that they have shared this information with them.</p>
2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Suppliers are not published for public review. FSC and PEFC certification systems provide a relatively reliable product tracking system and is a way, to date, for Lenzing to provide their customers with supply chain information. They would also provide information about the countries of origin and the results of the risk assessments, which have been externally verified (FSC CW for PTG, independent auditors for Lenzing and Paskov). More progress is expected in future years for systems-wide tracking in the cellulosic textile industry.</p>
<p><b>Observation:</b>  Lenzing relies on FSC and PEFC for its risk assessment. Certification can serve as the basis for the risk assessment, so long as an additional layer to ensure there is no sourcing from ancient and endangered forests and other controversial sources is added. In the future, it will be required by the company to use the map of ancient and endangered forests currently under review by Canopy as the reference to do so.</p> <p>The audit looks to see progress under transparency with the Leaders group.</p>	

<b>3. No conversion of natural forest to plantations</b>	
<b>Indicators</b>	<b>Findings:</b>

<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization sources from natural forests in Central Europe. Where sourcing is from FSC certified sources, the risk is mitigated.</p> <p>However, it should be noted for any future supply changes that PEFC certified plantations can be on lands converted after 1994. FSC controlled wood only guarantees that the harvested wood is not the result of conversion.</p> <p>Supplier has provided written confirmation to the auditor that the plantations where they sourced from were all established prior to 1994.</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<b>4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated</b>	
<b>Indicators</b>	<b>Findings:</b>
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as “ancient &amp; endangered forests”, “intact forest”, “natural forest”, “endangered species”, “controversial sources”, “high conservation value”, “high carbon area”, “peatlands”, etc. that are consistent with this document and the forest sourcing policy template.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization does not provide definitions of the terms used in their policy.</p> <p>May 2017 Updates: The policy has been updated, but still does not contain clear definitions of the terms used in the policy.  <a href="http://www.lenzing.com/fileadmin/template/pdf/konzern/verantwortung/2017-04-11-Wood-and-Pulp-Policy-EN-END.pdf">http://www.lenzing.com/fileadmin/template/pdf/konzern/verantwortung/2017-04-11-Wood-and-Pulp-Policy-EN-END.pdf</a>. The Lenzing sustainability report explains the CanopyStyle initiative and gives basic information, but links Lenzing with the terms of the forest sourcing policy. This indicator is being graded as “in progress” as clear definitions are still not present within the available evidence.</p>
<p>4.2 All areas meeting the definition of “ancient and endangered forests” have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Leaders Group.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization sources from either FSC/FSC CW certified sources or performs risk assessments of the non-FSC certified sources following the FSC CW standards. The results of all the risk assessments show that they do</p>

	<p>not source from areas that could potentially include ancient and endangered forests.</p> <p>To guide purchasing decisions globally, It is expected that Lenzing will use Canopy's map of ancient and endangered forests when it is made public in 2016.</p>
<p>4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The overlay of raw materials sourcing regions with Canopy's map of ancient and endangered forest show that, for the most part, sourcing occurs outside of the main ancient and endangered forest. However, the map shows a possibility of ancient and endangered forests in the region where wood is sourced from Russia.</p>
<p>4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  PTG only buys certified material and, where not certified, they perform a risk assessment based on the FSC CW standards that is approved by their Certification Body. Pulp sites Lenzing and Paskov buy most of the material as PEFC certified. For non-certified sources, they perform a risk assessment for EUTR and FSC purposes. All sources are low risk for illegality.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The auditor received and used the global and regional maps of ancient and endangered forests from Canopy to overlay sourcing regions. The auditor has also done research on specific countries where Lenzing sources its wood or pulp. The research included reviewing selected FSC risk assessments and consulting the FSC risk registry for Canada, U.S., Austria, Germany, Czech Republic, Hungary, France, Belgium, Ukraine, Switzerland Slovenia, Slovakia, Bellorussia, and South Africa. Canada (and Indonesia) are well documented in the Canopy map, at the regional level and we identified no overlap with Lenzing's sourcing. Lenzing sources from either FSC/FSC CW certified sources or performs risk assessments of the non-FSC certified sources following the FSC CW standards. Based on the list of suppliers and evidence shared with the auditor, there is risk that Lenzing sources from ancient and endangered forests in</p>

	<p>Russia.</p> <p>This is also a requirement for new potential suppliers and fiber sources. To increase the level of assurance that this criteria has been met, random sampling and potential site visits are required in China and Indonesia where global fiber flow creates an increased level of risk from ancient and endangered forests and controversial sources.</p>
<p><b>Observation:</b> Based on our initial review, we recommend further sharing of information and site visits in Russia, Nanjing Viscose, and Purwakarta Viscose. A third party site evaluation is needed of the Russian supply based on the risk of Ancient and Endangered forests and/or controversial sources entering the supply chain. A field evaluation of Purwakarta Viscose is needed given its high risk geography and Nanjing Viscose to confirm that sourcing information is consistent.</p> <p>The organization should also update or amend their policy and/or sustainability report to include terms and definitions for key terms used that align with this verification framework and the forest sourcing policy template.</p>	

<b>5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them</b>	
<b>Indicators</b>	<b>Findings:</b>
<p>5.1 All MMCF producer's suppliers are identified and the forest of origin is known.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization knows all countries of origin of the mills and the forests and most of the exact locations of the FMUs. Where they cannot identify the FMU they rely on certification: all the pulp suppliers are either certified. . One supplier gained FSC CW in 2016. Prior to that FSC Controlled Wood risk assessments have been performed.  See indicator 2.2.</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  In addition to the Supplier code of Conduct that will be developed, Lenzing needs to add language that requires their supplier to conform to their policy in contracts with them.  See indicator 1.6.</p>

<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  See 1.6, the organization has a procedure to cover this point.</p>
<p><b>Observation:</b></p>	

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

<p><b>Indicators</b></p>	<p><b>Findings:</b></p>
<p>6.1 Leaders Group and other stakeholders observers are invited to participate freely and to report observations during this verification process. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Stakeholders were not formally invited, to this verification process, however Lenzing is agreeable to having observers. Canopy has been invited to participate and has reviewed the draft report.</p>

**Observation:** This audit process is in progress, we expect this criteria to be met as outlined in the verification guidelines

**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**

<p><b>Indicators</b></p>	<p><b>Findings:</b></p>
<p>7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Based on FSC Controlled Wood risk assessments, Ukraine, Belorussia, Russia, Swaziland and South Africa are the only countries where the organization is sourcing from where the respect of traditional and civil rights – including FPIC of local communities - could potentially be an issue. all the suppliers from these countries are FSC certified or FSC Controlled Wood The auditor has read the latest FSC audit report of the forest supplier in Russia and it does not have any major outstanding CAR or minor CAR related to this indicator.</p> <p>Suppliers who are FSC certified would be required to implement FPIC.</p> <p>Suppliers not certified or covered by an FSC CW verification, therefore have no reference to FPIC, in addition PEFC and FSC controlled wood do not meet the</p>

	<p>requirement for FPIC. The development of requirements for suppliers is in the early stages. As stated earlier, contracts with requirements have not been developed at the time of this evaluation. This criteria should be added in the Code of Conduct to be signed by suppliers.</p>
<p>7.2 Suppliers document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Suppliers in countries where FPIC is potentially an issue mainly rely on FSC certification to demonstrate compliance with this point. Those suppliers with FSC forest management certification can be said to conform with the policy on these rights. Moreover they are audited annually to confirm that they are maintaining conformance. PEFC and FSC CW do not meet these requirements. See indicator 7.1.</p>
<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>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Suppliers in countries where FPIC is potentially an issue mainly rely on FSC certification to demonstrate compliance with this point.</p> <p>Those suppliers that conform to FSC or PEFC or FSC-CW are required to have a transparent complaints or grievance mechanism.</p> <p>At this point it is early in the implementation of the policy. At the next annual audit progress will be observed.</p>
<p>7.4 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Suppliers in countries where FPIC is potentially an issue mainly rely on FSC certification to demonstrate compliance with this point.</p> <p>Those suppliers that conform to FSC or PEFC or FSC-CW are required to make sure that they comply with the basic elements of the ILO. Lenzing's mills follows the laws in each country for their staff.</p> <p>For those suppliers that are not certified or verified to the FSC CW standard or they are not subject to a third party evaluation, then there is no guarantee that the supplier conforms to the ILO or UN Universal declaration on Human Rights.</p>

7.5 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.\*\*

**Conformance with Indicator:**

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

**Description of the finding:**

Suppliers in countries where FPIC is potentially an issue mainly rely on FSC certification to demonstrate compliance with this point.

Those suppliers that conform to FSC or PEFC or FSC-CW are required to make sure that they comply with the basic elements of the UN Universal Declaration of Human Rights.

For those suppliers that are not certified or verified to the FSC CW standard or they are not subject to a third party evaluation, then there is no guarantee that the supplier is conforming to the UN Universal Declaration of Human Rights.

**Observation:** If the supply is not FSC Certified or FSC controlled and the country has not ratified the ILO or UN convention, then an evaluation by Lenzing (or a third party retained by Lenzing) can fully meet this requirement.

8. Development of Innovative and Alternative Fiber	
Indicators	Findings:
The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p><b>Description of the finding:</b>  The organization is constantly looking at innovation, with a department dedicated to it. They now have a new production line that works with recycled fiber (cotton): the Textile Recycling Initiative. In the past, they have looked to other materials, such as grass and bamboo. Most information is confidential. It is expected that a commitment towards the R&amp;D and promotion of alternative fibers will be inserted into the company's new Sustainability Strategy.</p>
	<p><b>Description of the finding:</b>  The Textile Recycling Initiative is currently in the upscaling phase, which is a commercial scale phase that grows over time</p>

9. Advocacy for conservation solutions	
Indicators	Findings:
9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
	<p><b>Description of the finding:</b>  Lenzing takes part in conferences and panels to speak to the need to address sourcing from ancient and endangered forests, encourage other peers in the industry to join the CanopyStyle Initiative and is favorable to large scale conservation planning.</p>
9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions including Free, Prior and Informed Consent of affected indigenous and local communities.**	<p><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met



	<input checked="" type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> It is not clear that the company has been “prompted” to use its influence.  The organization admits not being proactive in this sense since they are not currently sourcing non FSC certified material from areas where this could be an issue. They have explained that they do have an impact around their own sites (for example in Indonesia: some projects include contribution to local housing, schooling or microcredits to surrounding communities). Each factory has charitable connections in the local area.  We recommend that Canopy and the Leaders Group provide specific documented requests moving forward.
9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The organization does not currently publicly support projects that meet the requirements of this indicator.  The company should include a commitment toward supporting large scale scientifically based conservation solutions in its policy or its sustainability strategy. When prompted, dedicate resources to help advance the conservation of specific areas. This can be done via attending roundtables, webinars, letters of support, calls to decision makers, forest tours, etc.
9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The organization has not been very active in this field to-date.  They have explained that as part of their new sustainability strategy they will explore these options.
<p><b>Observation:</b> The intent of this commitment is for Lenzing to advocate for conservation solutions regardless of whether or not the company is directly engaged in forest management. Advocacy can be in conjunction with suppliers, decision makers or with NGOs, or stakeholders in the areas where the company is sourcing supply. When prompted, dedicate resources to help advance the conservation of specific areas. This can be done via attending roundtables, webinars, letters of support, calls to decision makers, forest tours, etc.</p> <p>See the observation around stakeholder engagement in commitment 1. Engaging with stakeholders in a proactive way can provide many opportunities to expand the company’s influence and gain recognition as a leader in environmental protection and community, worker, civil, and human rights.</p>	

10. Responsible forest management	
Indicators	Findings:

<p>10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization gives preference to FSC inputs wherever possible in terms of availability and technical and cost constraints and they consider it as the “safest” option. The total % of FSC inputs can be reviewed on Lenzing’s homepage and sustainability reports .</p> <p>All Lenzing sites are in the process of obtaining FSC certification under a multi-site certificate.</p>
<p><b>Observation:</b> The company should promote FSC certification, and as committed, seek it for those sources that are not third party certified yet. The company should set targets to increase FSC intake over time, with a focus on FSC 100%.</p>	

<b>11. Reduction of Greenhouse Gas (GHG) Footprint by Recognizing the importance of forests and peatlands as carbon storehouses</b>	
<b>Indicators</b>	<b>Findings:</b>
<p>11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers’ performance in reducing GHG.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization’s new strategy has GHG reduction as a key theme. They have started to assess the contributions of suppliers to GHG. They have a LCA that show that they have 3 major sources of GHG emissions: fibre production chemicals and market pulp. They started asking their pulp suppliers to report on GHG since 2008. They are in a dialogue with their suppliers (they have a new supplier assessment tool that also looks into sustainability and asks questions about GHG emissions) and now they are in a more intensive dialogue, especially with their biggest suppliers They are also in close contact with them on the trends in the market (Lenzing is a member of the Sustainable Apparel Coalition and they share their knowledge with main suppliers about the trends in the textile industry).</p>
<p>11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forests, forested peatland at the concession and landscape level (peat dome) and identify, withdraw from and restore peatlands and their hydrology. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The organization excludes sources from tropical areas and will only accept FSC certified sources from potentially controversial areas.</p>
<p><b>Observations:</b> However, as explained by the organization, the choice of suppliers is very limited and they do not compare their policies to favor one or the other. Product quality is a limiting factor; it is very important to them, so they</p>	

have long term contracts and they do not want the quality to change. It is rare that they will find new suppliers. If this happens, it would be important for Lenzing to assess their sustainability performance and the supplier have a policy reflecting their commitment to this element as well as other commitments identified by the Canopy framework.

12. Pollution Prevention	
<p><b>Indicators</b></p> <p>12.1 This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality. However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process). The indicators will be the number of mills using such cleaner processes and the % of overall volumes produced with such technology. This information will be treated and framed as additional bonus performance by the MMCF producer.</p>	<p><b>Findings:</b></p> <p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p> <p>The organization is a leader in the lyocell process, with four lyocell mills out of seven (total capacity of 222,000 tons/year). The organization's strategy is to increase the production of TENCEL®. 100% of Lenzing group's pulp production follows Best Available Technology and is Total Chlorine Free. In the fiber production of Lenzing group, 6 out of 7 fiber plants produce either according to the Best Available Technology for viscose as described in the EU-BREF document "Polymers", or according to the inherently eco-friendly lyocell technology. This makes 68% of the overall fiber capacity of the Lenzing group.</p>
<p><b>Observations:</b></p>	



RA-Cert Division Headquarters  
65 Millet St. Suite 201  
Richmond, VT 05477 USA  
Tel: 802-434-5491  
Fax: 802-434-3116  
[www.rainforest-alliance.org](http://www.rainforest-alliance.org)

Contact Person: Walter Smith  
Email: [wsmith@ra.org](mailto:wsmith@ra.org)

CanopyStyle Verification and  
Guidelines  
**Evaluation Report for:**

Lenzing Nanjing Fiber Co. Ltd  
in Nanjing, China

Report Finalized: 21 May 2017  
Evaluation Dates: Sep 28, 2016  
Evaluation Team: Xinxin Zhang (Auditor)  
Rick Huang (Observer)

Address: No. 1 Kangqiang Road,  
Hongshan Fine Chemical Industry Park,  
Guabu, Luhe District,  
Nanjing, Jiangsu Province, P. R. China

# Table of Contents

- 1 INTRODUCTION .....0
- 2 GENERAL DESCRIPTION .....1
- 3 EVALUATION SCOPE .....1
- 4 EVALUATION RESULT .....2
- 5 EVALUATION PROCESS .....4
- Appendix A: EVALUATION CHECKLIST .....6

# 1 INTRODUCTION

The purpose of this report is to document performance of **Lenzing Nanjing Fiber Co. Ltd**, hereafter referred to as "Organization", against the requirements of the Verification Framework and Guidelines, (September 2016 version) developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>1</sup> and the over 68 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, such as Lenzing, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators.

The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions.

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

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

---

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

## 2 GENERAL DESCRIPTION

Lenzing Nanjing Fiber Co. Ltd (LNF), established in 2005, is located in the Hongshan Chemical Industry Park in Luhe District, Nanjing, China. The Organization is a joint venture between the Lenzing AG and the Nanjing Chemical Fiber Co. Ltd. The Nanjing Chemical Fiber Co. Ltd, a state-owned enterprise, holds 30% of shares, while the Lenzing AG holds 70%. The Organization is FSC CoC certified within the Lenzing AG Multisite Certificate, QA-COC-000110-B. Organization also holds several other certificates: ISO 9001, ISO 14000, OHSAS and OEKOTEX label. There are 752 employees working in an international management environment in the Organization. The facility is equipped with high degree of automation and process control systems, consists of three lines with a total production capacity of 178,000t/a. First two lines commissioned in 2007 with the production capacity 100,000 t/a, and their main products are standard textile viscose and specialties, the third line was set up in 2011 and its the production capacity is 75,000 t/a, main product is non-woven. The Organization does not source pulp directly on the market except for trial use, all pulp for production sourced through Pulp Trading GmbH (PTG), which is 100% subsidiary of Lenzing AG. PTG as a pulp trader is FSC certified with following certificates QA-COC-000017 and QA-CW-000017. PTG sources according to the Lenzing Wood and Pulp Sourcing Policy, which is posted in <http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html>. Lenzing is participating in the CanopyStyle Initiative and as recognition of their commitment are undergoing this evaluation. The raw material for Lenzing fibers is dissolving wood pulp from beech wood, spruce, eucalyptus and several other types of wood. For trials, which are sold to market, the Organization sourced dissolving pulp from a local mill in 2015 with a declaration of wood origin of Australia. The Organization gained permission by PTG in advance, therefore all sourcing, including trial use, is controlled and managed by PTG.

## 3 EVALUATION SCOPE

### 3.1 Scope

A field evaluation of Lenzing Nanjing Fiber Co. Ltd is needed given its high-risk geography according to Lenzing AG evaluation report. The objective of this audit is to gather appropriate evidence to verify whether viscose producers avoid sourcing their raw materials from ancient and endangered forests and/or controversial sources within the supply chain. Where risk is moderate to high, and when documents provided are limited or insufficient to come to such conclusion with certainty, additional onsite audits would be required at any of the mills or suppliers.

This evaluation covered Chain of Custody evaluation, social and environmental performance of the mill with respect to the CanopyStyle Verification Framework and Guidelines for Viscose Producers applicable indicators. The areas and business process covered by the scope of the evaluation are shown below:

Scope Item	Check all that apply to the Certificate Scope	
Mill type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in Corp. Supplier List	<input checked="" type="checkbox"/> Other suppliers: Trial material sources from local Chinese supplier
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes Comments:	<input checked="" type="checkbox"/> No Comments: Overlays were conducted as a part of the corporate desktop review. Suppliers not listed during the desktop (e.g. trial suppliers) have not had a map overlay conducted. Global and regional maps of ancient and endangered forests have been developed by Canopy and used by

		the auditor to conduct the audit. The maps will be made public and available to producers in the coming months.
Majority fiber input:	Dissolving pulp	
Mill Capacity:	178,000 t/a	
Primary activity:	Production of Viscose staple fiber	
Outsourcing:	<input type="checkbox"/> FSC-certified Subcontractors	<input type="checkbox"/> Non-certified Subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No Outsourcing	
Workforce:	TOTAL: 752	

Number of sites included in this Evaluation: 1

Name/Description of sites	Location
Lenzing Nanjing Fiber Co. Ltd	Nanjing China

## 4 EVALUATION RESULT

### 4.1 Evaluation Conclusion

On 28 September 2016, the Rainforest Alliance conducted an independent third party verification audit of the progress made by Lenzing Nanjing Fiber Co. Ltd in implementing the commitment of the **Lenzing Wood and Pulp Sourcing Policy**, to document the risk of sourcing from the world's ancient and endangered forests and other controversial areas, as well as additional related sustainability solutions and targets of the Canopystyle Initiative<sup>2</sup>. This audit concludes that for all long-term suppliers, the risk of Lenzing Nanjing Fiber Co. sourcing from ancient and endangered forests and other controversial areas is low. The auditor found one purchase of trial material that was approved by PTG and not included in the Lenzing desktop risk assessment. The origin of this material was declared, but not confirmed as low risk as a part of this audit. Lenzing has verbally confirmed plans to discontinue such purchasing arrangements in the future and that all trial materials will be included in the Lenzing sourcing policy (draft procedures provided).

The Rainforest Alliance verification audit reports that Lenzing Nanjing Fiber Co. Ltd progress to meet all indicators of the verification framework varies. This report documents the critical indicators (key performance indicators or KPIs) that have been fully met, those that are in progress and those that are not met, and specifies why.

Organization is expected to immediately address the critical KPIs that have not been met, and make progress on the "progressive" KPIs over time.

#### Nanjing Viscose Performance Summary

Performance measure	Annex 3
Commitment met	1.10, 2.8, 2.9, 4.4

<sup>2</sup> The CanopyStyle Initiative is led by environmental not-for-profit Canopy which has supported over 68 brands, designers and retailers, as well as 9 of the top 10 largest global producers, on developing sourcing policies for fabrics made from forests.



Commitment in Progress	1.11, 2.7, 4.5, 4.6, 4.7, 5.4
Commitment not met	2.10
Not Applicable	2.6
Insufficient info available	N/A

## 4.2 Overall Summary of Results

In summary, the Rainforest Alliance verification audit provides evidence confirming that Lenzing Nanjing Fiber Co. Ltd is investing in work and resources to implement the commitments of its policy consistent with the solutions and targets of the CanopyStyle Initiative. Risk of sourcing from ancient and endangered forests is low. Some challenges remain to fully implement the commitment throughout the company's supply chain: 1\ The trial pulp purchased is either non-certified or non-identifiable about its forest origin based on the current documents. The Organization confirmed with evidence they will not continue purchases from this supplier and will not purchase from the market in the future. The declared origin by the supplier can be considered low risk for ancient and endangered forests.

2\ Although key managers with the Organization are aware of wood/pulp policy and attended trainings, interviews still find out they have limited understanding to the definition of Ancient and Endangered forests.

3\ Forest of origin information and species information is not being collected by the site facility on transport documentation or within supplemental documentation. Certificates of Origin identify the place of export (dissolving pulp manufacture) only.

## 4.3 Recommendations

1\ The organization should develop and implement a procedure to ensure trial materials are not being sourced against their own policy.

2\ It is a Canopy expectation that Lenzing AG collect GPS points, GIS coordinates and/or shapefiles from its suppliers of all the dissolving pulp supply areas, to identify the forests of origin, which can then be overlaid with the Canopy map of Ancient and Endangered forests. Nanjing Viscose should be made aware of this process and the results, such forest origin information and certification information can be used in subsequent audits. Lenzing AG and Nanjing Viscose are encouraged to work with Canopy on a methodology to collect forest of origin material.

3\ As mentioned in the CanopyStyle audit framework, and based on risk, ongoing regular audits, or random site visits, may be essential to ensure that Nanjing Viscose continues to implement their policy and meet the expectations of the CanopyStyle Initiative.

## 4.4 Performance Measures

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

1	Not Applicable	Is not applicable to the site
2	Commitment met	Full conformance with indicator
3	Commitment in Progress	Partial conformance
4	Commitment not met	Nonconformance
5	Insufficient information available	No information during visit

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

## 5 EVALUATION PROCESS

### 5.1 Evaluation Requirements

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

### 5.2 Evaluators and qualifications:

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

### 5.3 Evaluation schedule

Date	Location /Main sites	Principal Activities
28 Sep, 2016	LNF office	Opening meeting
28 Sep, 2016	LNF office	Document review and staff interview
28 Sep, 2016	LNF mill	Site inspection
28 Sep, 2016	LNF office	Close meeting

### 5.4 Interviews

Date	Principal Responsibilities
28 Sep, 2016	General Manager

28 Sep, 2016	Manager of textile lab, in charge of system certification
28 Sep, 2016	Manager of logistic management
28 Sep, 2016	Manager of product quality
28 Sep, 2016	Compliance leader with SHE department

### 5.5 Documents and websites reviewed

Document Name	Link (if applicable)
Lenzing Wood and Pulp Sourcing Policy	<a href="http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html">http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html</a>
LNF FSC CoC Site Procedure	
Training Record	
Production documents	
Warehouse documents	

## Appendix A: EVALUATION CHECKLIST

### Canopy Verification Framework and Guidelines for Viscose producers Annex 3

#### 1. Publicly communicating and implementing the Fiber Sourcing/Forest Policy

Indicators	Findings:
<p>1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            Key managers are aware of the policy and had attended trainings organized by Lenzing AG on the implement of the policy. The organization also introduced the wood/pulp policy during the 2015 and 2016 FSC annual training to key staffs. The policy is posted in the textile lab office.</p>
<p>1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            Organization developed the "FSC CoC Site Procedure" which includes the procedure of the implement of the wood/pulp procurement policy.</p> <p>In the "FSC CoC Site Procedure", the organization cannot procure raw material unless it's for trial use and with the permission of PTG. In Oct-Nov 2015 and Apr 2016, the organization received (one purchase in 2015 with two receiving dated) dissolving pulp from a trial supplier that was not considered applicable to the policy.</p> <p>Although it was only a trial pulp LNF went through a primarily assessment of the pulp by sending a questionnaire to report the pulp's profile of which a risk assessment of the fiber origin is a part, such as HCVFs, conversion, social conflict etc. However, there was no data reported by the supplier on some elements, and the organization did not conduct any additional due diligence checking if the sourcing is from Ancient and Endangered Forests as the implementation procedure required.</p> <p>The Organization confirmed all pulp including trial pulp will be sourced by PTG only, Organization is and will not purchase any pulp in the market after Apr 2016. This one-time purchase, although done through the site, had approval and authority by PTG.</p>

**Observation:** Key manager with the Organization are trained the policy and also put a procedure in place to implement the policy, however, there is no evaluation to fiber sourced for the trial use to identify the conformance to the policy.

#### 2. Sourcing from transparent supply chains that are in conformance with the policy.

Indicators	Findings:
<p>2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  The Organization did source dissolving pulp and it was permitted and acknowledged by PTG. Overall, the Organization has no responsibility of purchasing within the Corporation, and this exception was permitted and approved by PTG. However, Nanjing Viscose does have responsibility to receive, and can monitor new supplies via this procedure (refer to indicator 2.7 and 5.4).</p>
<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Organization maintains a package of documents for each order, including bill of lading, certificate of country origin (pulp manufacture origin), invoices, supplier contract (or purchase order), and certificate of analyses. And, each order has an item code, which traces back to all the origin documents. However, the documents mentioned did not identify the forest of origin and species. PTG as the pulp traders keep record of the forest origin and the wood type in separate files.</p> <p>For the order for trial pulp, there is only an invoice with no fiber origin info, although related documents are provided, such as certificate of origin (pulp manufacture origin, not forest of origin).</p> <p>This finding is being graded as “commitment in progress” due to the number of documents being collected to attain this information, some which provide some info on origin via FSC claims. However a clear identification of the forest of origin is not being made.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Material from certified supplier has the certificate code/claim included on sales documents.</p>
<p>2.9 The production site maintains a summary of annual <u>purchases and then sales to the MMCF producer</u>.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Although the Organization did source trial dissolving pulp by themselves, it was permitted and acknowledged by PTG. The site has no responsibility of purchasing within the Corporation, this is all managed by PTG.  PTG maintains a summary of annual purchases.
2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> It's not mandatory to include fiber origin and certification status on the outgoing transportation documents in the Organization. Whether to include the FSC claim or origin info or not depends on client's request. This is an area where improvement will be required to align with the CanopyStyle Initiative.
<b>Observation:</b>  1\ Organization maintains a package of documents for each order including delivery documents, certificate of country origin (pulp manufacturing origin, not forest of origin). For the small trial order purchased locally and then sale to market, there is only an invoice with no fiber origin info.  4 item codes were selected as samples and demonstrated they are traceable to the input of raw materials and output products.  2\ As confirmed during observation and interview, If clients have no request, then outgoing transportation documents will not include the origin info and certificate status  It is a Canopy expectation that the PTG or Lenzing corporate office request and collect GPS points, GIS coordinates and/or shapefiles from its suppliers of all the dissolving pulp supply areas, to identify the forests of origin, which can then be overlaid with the Canopy map of Ancient and Endangered forests. Nanjing viscose should be made aware of this process and the results, such forest origin information and certification information can be used in subsequent audits.  The one trial material noted, although exceptional, is not excluded from the overall sourcing of Lenzing. This material was not included in the desktop audit, and is being sourced as non-certified with no origin information (general origin info declared as Australia only, not confirmed). This material is being produced and sold to customers and can be seen as a risk within the supply chain as it related to sourcing from ancient and endangered forests.  Lenzing should implement immediate corrective actions to evaluate the origin of these materials to either determine low risk, or exclude the supplier from future purchases. <i>Note: after the audit, but prior to report finalization, the organization confirmed via email that the trial material in question will be discontinued and is not a potential source in the future. Lenzing also provided draft procedures to include trial materials in their sourcing policy.</i>	

<b>4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.</b>	
<b>Indicators</b>	<b>Findings:</b>
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. **	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available

	<p><b>Description of the finding:</b> During the audit, it was observed and learned from the interviews that the organization is aware with local and national law such as safety and healthy production requirement, environment protection and pollution control, chemical storage.</p>
<p>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</p>	<p><b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The interview to the General Manager and key managers/staffs responsible for logistic and quality control finds that they are familiar with the term Ancient and Endangered Forests, due to the sourcing policy in place, but they don't fully understand the definition of the Ancient and Endangered forests and controversial sources.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p><b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> The site does not have purchasing responsibilities and therefore does not conduct assessments of sourcing areas as they relate to the presence of Ancient and Endangered Forests. However, the Nanjing Viscose site did receive permission from PTG to independently source trial dissolving pulp.</p> <p>This indicator is being graded as "in progress" due to this oversight on trial material both by PTG and Nanjing Viscose.</p>
<p>4.7 The sourcing from regions that contain Ancient and Endangered forests and other controversial sources is verified to low risk by this CanopyStyle audit.</p>	<p><b>Conformance with Indicator:</b>  <input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> Based on the results of the desktop audit, and this site visit, it can be noted that Nanjing Viscose long-term, regular sourcing is from low risk regions. However, trial materials were sourced that currently cannot be confirmed as low risk.</p>
<p><b>Observation:</b> Key managers are aware of the term Ancient and Endangered forests and controversial sources, but do not have a deep awareness of the meaning or how it applies to their facilities actions.</p> <p>Nanjing Viscose does not have purchasing responsibilities; this function is handled by PTG (Pulp Trading) in Austria. However, trial pulp has been sourced from one supplier, where the forest of origin has not been confirmed, nor has a risk assessment to determine if the source of origin is within or near identified Ancient and Endangered forests. The materials are not certified, therefore a risk assessment related to origin of controversial sources must be considered too.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings:
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying nonconformances to the CanopyStyle policy and sanctions to suppliers in such cases where non conformances are identified.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Nanjing Viscose has no purchasing authority and therefore has no control over performance of suppliers. Even in the case of the trial materials mentioned, these outlier purchases were approved by PTG, the site has responsibility to ensure all suppliers are meeting the policy when information on supply is collected upon receipt. Any inconsistencies can be raised to PTG for possibly quarantine or sanction procedures.</p>
<p><b>Observation:</b> Nanjing Viscose is corporate owned mill with no purchasing responsibilities, PTG is ultimately responsible for monitoring the performance of suppliers, however Nanjing Viscose should share this responsibility to ensure all suppliers are meeting the policy when information on supply is collected upon receipt. Any inconsistencies can be raised to PTG for possibly quarantine or sanction procedures.</p>	





RA-Cert Division Headquarters  
65 Millet St. Suite 201  
Richmond, VT 05477 USA  
Tel: 802-434-5491  
Fax: 802-434-3116  
[www.rainforest-alliance.org](http://www.rainforest-alliance.org)

Contact Person: Walter Smith  
Email: [wsmith@ra.org](mailto:wsmith@ra.org)

CanopyStyle Verification and  
Guidelines  
**Evaluation Report for:**

PT South Pacific Viscose  
in  
Purwakarta, Indonesia

Report Finalized: 21 May 2107  
Evaluation Dates: 22 – 23 September 2016  
Evaluation Team: Arief Budiman (lead auditor)  
Trusti Y Widiastuti (auditor)  
Lita Natasastra (observer)

Address: Desa Cicadas  
Purwakarta 41101,  
West Java, Indonesia

**Table of Contents**

1 INTRODUCTION .....3  
2 GENERAL DESCRIPTION .....4  
3 EVALUATION SCOPE .....4  
4 EVALUATION RESULT .....5  
5 EVALUATION PROCESS .....8  
Appendix A: EVALUATION CHECKLIST .....10

## 1 INTRODUCTION

The purpose of this report is to document the performance of Lenzing's **PT South Pacific Viscose (SPV)**, hereafter referred to as "Organization", against the requirements of the Verification Framework and Guidelines, (September 2016 version) developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>1</sup> and the over 68 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, such as Lenzing Aktiengesellschaft, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators.

The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used the company's supplier list, which has been overlaid with the supplier's list from PT South Pacific Viscose to assess the conformity.

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

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

---

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

## 2 GENERAL DESCRIPTION

PT. South Pacific Viscose (SPV) is Lenzing's Indonesian subsidiary. It has been producing viscose staple fibers designed for applications in the textile and nonwoven industries for more than 30 years. There are approximately 2 000 employees at the site in Purwakarta, West Java. The facility includes five production lines, manufacturing more than 323 000 tons of fibers per annum (t/p.a.). The organization was founded in 1982, starting with one production line that had an initial capacity of 19 000 t/p.a., that subsequently increased to 36 000 t/p.a. In 1992 an additional production line was added that allowed a combined capacity of 70 000 t/p.a. Construction of a third production line was done in 1996, that led to production capacity 110 000 t/p.a. Addition of a fourth production line in 2010 allowed for an increased capacity up to 240 000 t/p.a. Finally, a fifth production line was added in October 2012, leading to a combined capacity of 323 000 t/p.a.

Organization does not source pulp directly on the market; all pulp is sourced through Pulp Trading GmbH (PTG), which is 100% subsidiary of Lenzing AG. PTG as a pulp trader is FSC CoC certified with following certificates QA-COC-000017 and QA-CW-000017. PTG sources according to the Lenzing Wood and Pulp Sourcing Policy, which is posted in <http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html>, currently this policy is under revision to be even more consistent with the expectations of the *CanopyStyle Initiative*. Lenzing is participating in the *CanopyStyle Initiative*<sup>2</sup> and as recognition of their commitment are undergoing this evaluation.

The raw material for Lenzing fibers is dissolving wood pulp from beech wood, spruce, eucalyptus and several other species of wood. Lenzing sources wood and pulp from certified forest and pulp suppliers. Wood for the Lenzing pulp mill in Austria is PEFC or FSC certified, all other plants are FSC CoC certified and the majority of pulp supplies from external pulp are FSC CoC certified. Organization is FSC CoC certified within the Lenzing Multisite Certificate, QA-COC-000110-E. Organization also holds the following certificates: ISO 9001, ISO 14000, OHSAS and OEKOTEX label.

## 3 EVALUATION SCOPE

### 3.1 Scope

A field evaluation of PT. South Pacific Viscose (SPV) - Purwakarta is needed given its high-risk geography according to Lenzing Aktiengesellschaft desktop evaluation report conducted 6-7 April 2016. The objective of this evaluation was to collect evidence from the SPV site visit and compare this evidence with information provided by Lenzing AG, to verify authenticity and sourcing practices. The information gathered from this evaluation will demonstrate Lenzing's commitment to avoid sourcing their raw materials from ancient and endangered forests and/or controversial sources. Where risk is moderate to high, and when documents provided are limited or insufficient to come to such conclusion with certainty, additional onsite audits would be required at any of the mills or suppliers.

---

<sup>2</sup> The CanopyStyle Initiative is led by environmental not-for-profit Canopy which, to date, has supported over 68 brands, designers and retailers, as well as 9 of the top 10 largest global producers, on developing sourcing policies for fabrics made from forests.

This evaluation covered key performance indicators for production mills extracted from the CanopyStyle Verification Framework and Guidelines for Viscose Producers (September 2016). The areas and business process covered by the scope of the evaluation are shown below (Please verify and confirm the data):

### Scope of the Evaluation

Scope Item	Check all that apply to the Certificate Scope	
Mill type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in Corp. Supplier List	<input checked="" type="checkbox"/> Other suppliers: Trial material sources.
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes Comments:	<input checked="" type="checkbox"/> No Comments: Global and regional maps of ancient and endangered forests have been developed by Canopy and used by the auditor to conduct the audit. Overlays have not been done for trial materials. The maps will be made public and available to producers in the coming months.
Majority fiber input:	Dissolving pulp	
Mill Capacity:	323 000 ton per year.	
Primary activity:	Production of Viscose rayon staple fiber and Anhydrous Sodium Sulfat.	
Outsourcing:	<input type="checkbox"/> FSC-certified Subcontractors	<input type="checkbox"/> Non-certified Subcontractors
	<input type="checkbox"/> Outsourcing of the complete production process	
	<input type="checkbox"/> High risk subcontractor site(s) included	
	<input checked="" type="checkbox"/> No Outsourcing	
Workforce:	Permanent male: 1673	Permanent female: 61
	Contract male: 89	Contract female: 8
	TOTAL: 1831	

Number of sites included in this Evaluation: 01

Name/Description of sites	Location
PT. South Pacific Viscose	Purwakarta, Indonesia

## 4 EVALUATION RESULT

### 4.1 Evaluation Conclusion

During 22 – 23 September 2016, the Rainforest Alliance conducted an independent third party verification audit of the progress made by PT South Pacific Viscose in implementing the commitment of the *Lenzing Wood and Pulp Sourcing Policy*, to document the risk of sourcing from the world's ancient and endangered forests and other controversial areas, as well as additional related

sustainability solutions and targets of the CanopyStyle Initiative<sup>3</sup>.

This audit concludes that for all long-term suppliers, the risk of Lenzing/PT South Viscose sourcing from ancient and endangered forests and other controversial areas is low. The auditor found one purchase of trial material that was approved by PTG and not included in the Lenzing desktop risk assessment. The origin of this material was declared, but not confirmed as low risk as a part of this audit. Following the audit, evidence of FSC 100% claims from their direct supplier was provided, but confirmation on forest origin was not. Lenzing also provided a formal letter to Canopy to discontinue sourcing from this supplier in the future.

This verification audit reports that PT South Pacific Viscose progress to meet all indicators of the verification framework varies. This report documents the critical indicators (key performance indicators or KPIs) that have been fully met, those that are in progress and those that are not met, and specifies why. Organization is expected to immediately address the critical KPIs that have not been met, and make progress on the “progressive” KPIs over time.

#### *South Pacific Viscose Performance Summary*

<b>Performance measure</b>	<b>Annex 3</b>
Commitment met	1.10, 1.11, 2.8, 2.9, 4.4
Commitment in Progress	2.7, 4.5, 4.7, 5.4
Commitment not met	2.10
Not Applicable	2.6, 4.6
Insufficient info available	

## **4.2 Overall Summary of Results**

In summary, the Rainforest Alliance verification audit provides evidence confirming that PT South Pacific Viscose is investing in work and resources to implement the commitments of its policy consistent with the solutions and targets of the CanopyStyle Initiative. Some challenges remain to fully implement the commitment throughout the company’s supply chain. Positives practices were evidenced during visit e.g.:

1. Organization has complete national and local legal permit requirements.
2. Organization has sufficient implementation of health and safety procedures for the employee and also visitor in all areas within the facilities.
3. Organization is competent to control production waste treatment. It has been observed in the UKL/UPL report with threshold below the standard and environment condition around the factory.
4. Organization has adequate system for recording material movement until final, all records have been provided by using SAP system. During the evaluation on production we have checked a batch production number. It can be traced to the material source document received with the according pulp material.

Evidences and challenges found by the audit team are as follows:

1. The audit team compared the supplier list provided by Lenzing AG with the supplier list provided by SPV. In addition, a sampling of supplier documentation was reviewed to verify if

<sup>3</sup> The CanopyStyle Initiative is led by environmental not-for-profit Canopy which has supported over 68 brands, designers and retailers, as well as 9 of the top 10 largest global producers, on developing sourcing policies for fabrics made from forests.

the supplier list is up to date. Materials sourced from this trial pulp supplier are currently being piloted for production and will only be added as a potential fixed supplier if the technical quality of the product and the criteria of the wood and pulp policy meet Lenzing and SPV's expectations. Currently there is no system in place to notify Canopy if a new supplier is being added.

2. The auditors had no means on site to verify that the origin information provided on the SPV supplier list (Exhibit 01) matched the origin of the materials being received on site. It is not customary or a part of FSC/PEFC certification requirements to list origin information on purchase and sale documentation throughout the supply chain. The requirements of indicator 2.7 and 2.10 to include the forest origin on the invoicing and shipment documents require additional effort because the pulp manufacturer's supply may come from various locations all over the world. The exact origin of the wood has not always been identified and verified; this information is often generic, could be received as a declaration of the supplier or an estimation based on the pulp manufacturer's location. During the audit, SPV expressed that additional work to fulfill requirements of indicator 2.7 and 2.10 is needed, although currently they find it difficult to implement due to practicality reasons.
3. Indicator 4.5 resulted as "commitment in progress" because the organization demonstrates an effort to communicate the Lenzing Wood and Pulp policy by publishing a policy banner in receiving warehouse office; however, it was found that the Policy was not updated, the banner shows November 2012 version, while the updated version of the Policy is April 2016.

### 4.3 Recommendations

Based on the audit findings and the challenges 1-3 above, the audit team makes the following recommendations:

1. Lenzing AG (PTG or SPV) should develop a procedure for including trial suppliers within their policy and notifying Canopy of the addition. Such a procedure can ensure a risk assessment is complete prior to testing the material for production and ensuring alignment with the wood sourcing policy. A draft procedure has been submitted to the audit team, but not yet finalized and implemented.
2. It is a Canopy expectation that all Lenzing AG sites collect GPS points, GIS coordinates and/or shapefiles from its suppliers of all the dissolving pulp supply areas, to identify the forests of origin, which can then be overlaid with the Canopy map of Ancient and Endangered forests. SPV should be made aware of this process and the results, such forest origin information and certification information can be used in subsequent audits. It is recommended that SPV work with PTG and Canopy on an acceptable methodology for collecting forest of origin information.
3. As mentioned in the CanopyStyle audit framework, and based on risk, ongoing regular audits, or random site visits, may be essential to ensure that SPV continues to implement their policy and meet the expectations of the CanopyStyle Initiative.

### 4.4 Performance Measures

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

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

5	Insufficient information available	No information during visit
---	------------------------------------	-----------------------------

In addition to giving the result the evidence used and a narrative description of findings are reported for each indicator (appendix B).

## 5 EVALUATION PROCESS

### 5.1 Evaluation Requirements

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

### 5.2 Evaluators and qualifications:

Name	Arief Budiman	Role	Lead Auditor
Qualifications:	Arief is a FSC Chain of Custody Associate certification service for Rainforest Alliance Asia Pacific. He has obtained ISO 9001:2008 lead auditor, FSC CoC lead Auditor, San CoC Lead auditor and trademark agent. Arief has participated in 60 FSC CoC audit and assessment as lead auditor.		
Name	Trusti Y Widiastuti	Role	Auditor
Qualifications:	RA-Cert Assurance Associate. Has completed SAN Farm/Group & SAN CoC lead auditor training. Has participated in more than 30 SAN Farm and CoC audits and two assurance site verifications.		
Name	Lita Natasastra	Role	Observer
Qualifications:	Lita earned her Bachelor of Science degree from University of New South Wales, Australia and Master of Accounting degree from University of Tarumanagara. She has experience in auditing and business process development. She is responsible for all Rainforest Alliance Assurance programs in Asia Pacific.		

### 5.3 Evaluation schedule

Date	Location /Main sites	Principal Activities
22 Sept 2016 / 09:00 – 09:30	Purwakarta/ Organization Office	Opening Meeting
22 Sept 2016/ 09:30 – 12:00	Purwakarta/ Organization Office	Document review & interview
22 Sept 2016 / 13:00 – 17:00	Purwakarta/Organization plant and facilities	Site Inspection / Facility Inspection
23 Sept 2016 / 08:00 – 09:00	Purwakarta/Organization Office	Closing Meeting

### 5.4 Interviews

Date	Principal Responsibilities
22-09-2016	Quality Control Manager, Management Representative
22-09-2016	Quality Manager
22-09-2016	Warehouse Manager Pulp, Coal, Packaging & Chemical
22-09-2016	Technical Customer Service Pulp Trading
22-09-2016	Technical Director



22-09-2016	Site Logistic Manager
22-09-2016	Viscose Production Dept
22-09-2016	Viscose Production
22-09-2016	Raw Material warehouse and Logistic
22-09-2016	Raw Material warehouse and Logistic supervisor
22-09-2016	Community Development

## 5.5 Documents and websites reviewed

Document Name	Link (if applicable)
Lenzing Wood and Pulp Sourcing Policy	<a href="http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html">http://www.lenzing.com/en/responsibility/wood-and-pulp-policy.html</a>
SPV profile	<a href="http://www.lenzing.com/en/co-products/products/pt-south-pacific-viscoseindonesia.html">http://www.lenzing.com/en/co-products/products/pt-south-pacific-viscoseindonesia.html</a> (soon after the audit this page is no longer active and is under construction)
SPV legal documents	Onsite - desk review
SPV production document	Onsite – desk review
SPV warehouse document	Onsite- desk review (Receiving document, inventory etc)

## Appendix A: EVALUATION CHECKLIST

### Canopy Verification Framework and Guidelines for Viscose producers Annex 3

1. Publicly communicating and implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings:
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>                      The organization has established and made public the policy, key managers of the organization are aware of the policy and demonstrated the commitment to implement the policy.</p>
1.11 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant. **	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>                      Manager and staff in the production floor are aware of the policy and developed the procedure to implement the policy in some of the relevant areas. During the inspection, staff of the organization had followed the procedure that has been developed and followed the direction of manager and supervisor, such as information receiving material from listed supplier.</p>
<b>Observation:</b> The organization has sufficient communication and publication of the policy, and implementing it in the organization's daily activities.	
2. Sourcing from transparent supply chains that are in conformance with the policy.	
Indicators	Findings:
2.6 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u> . Such documentation includes an identification of the forest of origin.	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>                      PTG has the overall responsibility and authority to make purchasing decisions. One trial supplier was added since the desktop audit, that is now being piloted (trial material) to determine quality. Overall, the PT. South Pacific Viscose employees have no responsibility of purchasing within the Corporation, however, they do have responsibility to receive and can monitor new supplies via this procedure (refer to indicator 2.7 and 5.4).</p>

<p>2.7 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>. Such documentation includes an identification of the forest of origin.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Purchase document and sales has all information that is needed, such as supplier name, material description, quantity and related delivery document, also same with the commercial invoice. The organization only receives pulp material from Pulp Trading Gmbh. However, there was no forest of origin mentioned in the delivery document, the supplier only mentioned the name of the material source from the supplier that had been purchased by Pulp Trading Gmbh and mentioned it in name of material. All material that had been received by the organization is from certified suppliers (FSC or PEFC), and a majority if not all is either FSC certified or FSC Controlled.</p> <p>Refer to Import Raw Material Receipt Advice and invoice. Organization delivery document also mentioned of the related information such as Receiver, material name, material quantity, also FSC CoC certified code.</p> <p>Refer to PT. South Pacific Viscose Commercial invoice and packing list. This indicator is being graded as commitment in progress as no forest origin information is being collected with the delivery documentation, but FSC and PEFC claims are being collected, which identify the immediate supplier.</p>
<p>2.8 When sourcing from certified or verified land origin, the supplier code and claim for the applicable third-party verification is included on sales and delivery documentation.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  All materials received from certified supplier mention the certificate code for the applicable third party such as FSC CoC code and are FSC certified or controlled.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  <i>Organization is corporate owned mill with no purchasing responsibilities.</i></p> <p>However, organization has summaries of all receiving material and sales for its own documentation in SAP system.</p>
<p>2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

	<input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input checked="" type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Supplier outgoing transportation documents do not include forest/plantation origin. This type of information is not provided by any supplemental means to the customer.
<p><b>Observation:</b> From the document review, it was observed that the delivery document from suppliers does not include identification of forest origin, although there is a FSC certificate code of the suppliers and PTG as pulp trader keeps records of the forest origin and the wood type in separate files.</p> <p>Same observation also seen in the delivery document from SPV, it just shows the FSC certificate number of the supplier PTG and information of material source from supplier that had been purchased by PTG.</p> <p>During the audit the organization has demonstrated traceability of material used for production. The auditors take a sample of production batch number and it can be traced to the raw material used in SAP system.</p> <p>It is a Canopy expectation that PTG or Lenzing corporate office request and collect GPS points, GIS coordinates and/or shapefiles from its suppliers of all the dissolving pulp supply areas, to identify the forests of origin, which can then be overlaid with the Canopy map of Ancient and Endangered forests. SPV should be made aware of this process and the results. Such forest origin information and certification information can be used in subsequent audits. Global and regional maps of ancient and endangered forests have been developed by Canopy and used by the auditor to conduct the audit. The maps will be made public and available to producers in the coming months.</p> <p>The one trial/pilot material noted, was not included in the desktop audit done earlier in the year and it has been sourced as FSC certified. After the audit, but prior to report finalization, Lenzing provided evidence of certification status and a draft procedure for including trial suppliers in the wood sourcing policy. It is recommended that Lenzing formalize this procedure and implement it for all future trail supplies.</p>	

<b>4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.</b>	
<b>Indicators</b>	<b>Findings:</b>
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. **	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> During the audit it was observed that the organization is aware of local national law such as all material received has been controlled by custom in place as the organization is bonded zone, and environment control (UKL UPL) conducted by department of environment for every six month has been followed by the organization.
4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources	<b>Conformance with Indicator:</b> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> The organization has communicated the information about the ancient and endangered forest and controversial source for supervisor level, however for staff

	level on production plant, they are still lacking of understanding and awareness of the definition.
4.6 Production mill has conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Organization is corporate owned mill with no purchasing responsibilities. All purchasing is conducted by PTG and all risk assessments of origin as well.</p> <p>Note: Since the desktop audit PTG has made use of a trial supplier. It is understood that it is the responsibility of PTG to conduct this assessment, however the SPV site can monitor new supplies upon receipt of pulp and ensure that this risk assessment has been completed prior to production (see indicator 2.7 and 5.4).</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><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input checked="" type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Based on the results of the desktop audit, and this site visit, it can be noted that SPV long-term, regular sourcing is from low risk regions. However, since the desktop audit, trial/pilot materials were sourced that currently cannot be confirmed as low risk.</p>
<p><b>Observation:</b>  Organization has complete national and local legal permit requirements e.g.:</p> <ol style="list-style-type: none"> <li>1. Deed of Incorporation No. 71, 14 January 1978</li> <li>2. Last deed No. 54, 21 June 2016</li> <li>3. Certificate of Company Registration: 10.09.12000329, valid till 27 August 2017</li> <li>4. Permanent Business License: 267/DJAI/IUT-III/PMA/VII/ 1988</li> <li>5. There are two Hinderordonnantie: <ol style="list-style-type: none"> <li>a. 510 /HO-03248 – BPMPTSP /VII /2010, valid till 19 July 2018 for 125 363.01 sqm</li> <li>b. 510 /HO-05796 – BPMPTSP /XII /2010, valid till 28 December 2018 for 55 664.803 sqm</li> </ol> </li> <li>6. Environment assessment year 2016</li> </ol> <p>However, as confirmed during observation and interview, there was limited communication on the Lenzing Wood and Pulp Policy to the related staff level. Audit team only found one banner of Lenzing Wood and Pulp Policy in the receiving office and it was found that the Policy was not updated, the banner shows November 2012 version, while the updated version is April 2016.</p> <p>SPV does not have purchasing responsibilities, this function is handled by PTG (Pulp Trading) site in Austria. FSC certified trial pulp has been sourced from one supplier that was sourced with an FSC 100% claim, but had not been considered part of the wood sourcing policy. The company has provided a draft procedure for inclusion of trial materials in the wood sourcing policy that should be finalized and implemented prior to sourcing new trial materials.</p> <p>Of note, the sourcing geography of the certified dissolving pulp trial material is in the Brazilian Amazon region, where concerns of illegal logging activities are prevalent. The risk level of the trial material cannot be confirmed as low risk according to the CanopyStyle initiative. Lenzing has provided evidence, in the form of a confirmation letter, of no current purchases from this supply chain and will refrain from any future sourcing until the conclusion of low risk can be established.</p>	

5. Actions if suppliers contravene criteria	
Indicators	Findings:
5.4 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying nonconformances to the CanopyStyle policy and sanctions to suppliers in such cases where non conformances are identified.	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            SPV is a corporate owned mill with no purchasing or supplier monitoring responsibilities. However, SPV does receive the material with the information of certification and has access to the approved suppliers for the policy. SPV should have responsibility to ensure all suppliers are approved suppliers when information on supply is collected upon receipt. Any inconsistencies can be raised to PTG for possibly quarantine or sanction procedures.</p>
<p><b>Observation:</b> SPV is a corporate owned mill with no purchasing or supplier monitoring responsibilities. However, SPV does receive the material with the information of certification and has access to the approved suppliers for the policy. SPV should have responsibility to ensure all suppliers are approved suppliers when information on supply is collected upon receipt. Any inconsistencies can be raised to PTG for possibly quarantine or sanction procedures.</p>	