



# CanopyStyle Audit Report

## for Kelheim Fibres GmbH

**Assessment 2019**

**Evaluation date: 22 October 2019**

**Report date: <Enter date>**

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## INTRODUCTION

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

The purpose of this report is to document performance of *KELHEIM FIBRES GmbH* hereafter referred to as “Organization”, against the requirements of the Verification Framework and Guidelines, (February 2019 version<sup>1</sup>) and guidance documents<sup>2</sup> developed by Canopy and approved, supported and requested by the CanopyStyle Fashion and Textile Leaders for Forest Conservation (Leaders Group)<sup>3</sup> and the over 200 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers, are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

The audit presents the findings of NEPCon auditors who have evaluated company systems and performance against the applicable standard(s). The public version excludes confidential and sensitive information that did not does not affect the formal results of the audit. It is a result of an additional contract between NEPCon and *KELHEIM FIBRES GmbH* and has been approved by Canopy according to the CanopyStyle verification framework. Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy’s map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk.

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

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

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

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

## 1. GENERAL DESCRIPTION

### 1.1 Organization overview

Kelheim Fibres GmbH, headquartered in Kelheim, Germany, is a producer of viscose speciality fibres, that was established in 1935 as Süddeutsche Spinnfaser AG, which after several acquisition and changes occurred previously, it was taken over by EQUI-Fibres GmbH and renamed as Kelheim Fibres GmbH in 2004. Its fibres under GALAXY®, DANUFIL®, VISETA® and VILOFT® trademark, are used to produce textiles, hygiene and medical products to speciality papers as well as technical and household products.

Kelheim Fibres GmbH holds FSC Chain of Custody and PEFC certification and sources all inputs as FSC Controlled Wood, FSC Mix and PEFC Certified. Referred from its Wood Pulp Sourcing Policy, Kelheim Fibres GmbH's main raw material for the production of viscose fibres is wood pulp.

Kelheim Fibres GmbH's wood sourcing is from one sole supplier, that its dissolving pulp comes from two dissolving pulp mills suppliers, with wood species potentially used are *Abies alba*; *Acer pseudoplatanus*; *Acacia decurrens*; *Acacia mangium*; *Acacia mearnsii*; *Betula pendula*; *Betula spp.*; *Eucalyptus badjensis*; *Eucalyptus camaldulensis*; *Eucalyptus cloeziana*; *Eucalyptus dunnii*; *Eucalyptus fastigata*; *Eucalyptus grandis*; *Eucalyptus grandis x E. camaldulensis (GCs) hybrid*; *Eucalyptus macarthurii*; *Eucalyptus maculata*; *Eucalyptus nitens*; *Eucalyptus robusta*; *Eucalyptus saligna*; *Eucalyptus spp*; *Eucalyptus smithii*; *Eucalyptus urophylla*; *Fagus sylvatica L.*; *Fraxinus excelsior*; *Fagus spp.*; *Fraxinus spp.*; *Picea abies*; *Pinus spp.*; *Pinus elliottii*; *Pinus greggii*; *Pinus patula*; *Pinus radiata*; *Pinus taeda*; *Populus spp.* The regions the wood is potentially sourced from are: Czech Republic, Slovakia, Belarus, Lithuania, Estonia, Poland, South Africa, Portugal, Spain, Austria and German.

### 1.2 Organization scope

Kelheim Fibres GmbH headquarter is located in Kelheim Germany and has one mill located at the same site.

### 1.3 Organization sourcing policy

In addition to fulfilling the requirements of the European Timber Regulation (EUTR No. 995/2010), Kelheim Fibres GmbH sources exclusively wood pulp with preferably FSC or PEFC certification and strives to identify and eliminate all wood pulp from controversial sources.

Controversial sources are:

- Illegally harvested wood
- Wood from plantations established after 1994 through the conversion or simplification of natural forests
- Wood from forests or plantations of genetically modified trees
- Wood harvested in violation of traditional, human and civil rights
- Wood harvested without free, prior and informed consent by indigenous peoples and traditional communities
- Wood from ancient and endangered forests

## 2. EVALUATION SCOPE

Scope Item	Check all that apply to the Certificate Scope	
Mill Type:	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multi-site
Input Material Source:	<input checked="" type="checkbox"/> Listed in supplier CoC form	<input type="checkbox"/> Other suppliers
Majority Fiber Input:	Dissolving pulp	
Map of Ancient and Endangered Forests Overlay Completed:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No  Comments: Kelheim Fibres GmbH suppliers are FSC certified and one has been audited to the CanopyStyle Initiative.
Mill Capacity:	90,000 Ton/year	
Primary Activity:	Manufacturing of viscose fibres	
Outsourcing:	<input checked="" 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 type="checkbox"/> No outsourcing	
Workforce:	Permanent male: 448	Permanent female: 65
	Contract male: 0.5 (FTE)	Contract female: 29.9 (FTE)
	Apprentices male: 57	Apprentices female: 12
	TOTAL: 505.5	106.9

Sites included in evaluation	Location
Kelheim Fibres GmbH	Kelheim, Germany

## 3. EVALUATION PROCESS

### 2.1 Audit Team

Auditor name(s)	Qualifications
Gusti Ayu Fransiska Dewi	Gusti Ayu Fransiska Dewi is the NEPCon Responsible Sourcing Specialist, based in Bali, Indonesia. She serves as task manager for various agriculture and forest commodities projects within NEPCon Solutions Division. She is also an auditor for NEPCon LegalSource Standard, Rainforest Alliance Sustainable Agriculture Standard (RASAS) Farm and Palm Oil Innovation Group (POIG). She joined Rainforest Alliance since 2015 and stayed until NEPCon-Rainforest Alliance acquisition that automatically transferred her to NEPCon to present.

## 2.2 Audit Overview

Site(s)	Audit date	Total audit time (Hours)
Desk audit	22 October 2019	2 hours and 40 minutes

**Note:** more details about audit process are provided in a separate audit plan

## 2.3 Description of Overall Audit Process

In October 22<sup>nd</sup>, 2019, NEPCon conducted an independent third-party verification audit of the progress made by Kelheim Fibres GmbH in implementing the commitment of the **Kelheim Fibres GmbH Wood 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.

The audit was conducted through desktop audit (including Skype call with Kelheim Fibres GmbH's representatives; Mr. Craig Barker (Managing Director), Mr. Alexander Bachmann (Strategic Marketing and Sales Manager), Mr. Michael Svoboda (Head of Quality Management) and Mr. Robert Tremmel (Head of Purchasing)).

# 4. EVALUATION RESULT

## 4.1 Evaluation Conclusion

Kelheim Fibres GmbH sources two dissolving pulp mills through one sole supplier. Kelheim Fibres GmbH holds FSC Chain of Custody and PEFC certification and sources all inputs as FSC Controlled Wood, FSC Mix and PEFC. One of its dissolving pulp mill suppliers has undergone CanopyStyle audit in 2017, which resulted in a conclusion of low risk for sourcing from ancient and endangered forests and other controversial sources. The same dissolving pulp mill supplier is undergoing their 2<sup>nd</sup> audit currently. The other dissolving pulp mill supplier is identified in CanopyStyle Classification of Dissolving Pulp Mills (including another supplier) as low risk for sourcing from key priority areas of ancient and endangered forests as well.

In summary, NEPCon verification audit provides evidence confirming that Kelheim Fibres GmbH 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.

## 4.2 Summary of findings

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

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

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

	planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	
	6.3 If sourcing from controversial areas, with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **	<i>Non Applicable</i>
	6.4 The MMCF producer has developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	<i>Non Applicable</i>
	6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **	<i>Non Applicable</i>
7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies	7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities. **	<i>Commitment Met</i>
	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. **	<i>Commitment Met</i>
	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.	<i>Commitment Met</i>
	7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers	<i>Commitment Met</i>
	7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.	<i>Commitment Met</i>
	7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations. **	<i>Commitment Met</i>
8. Development of Innovative and Alternative Fiber	8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **	<i>Commitment Met</i>
	8.2 The research and development phase to produce pulp and cellulosic fiber made from alternative fiber	<i>Commitment in Progress</i>

	sources has been successfully completed and the MMCF producer is entering a commercial scale phase.	
9. Voluntary advocacy for conservation solutions	9.1 The MMCF producer has a track record of participating in events that support collaborative and visionary system solutions that aim protect remaining ancient and endangered forests. **	<i>Commitment Met</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Commitment Met</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment Met</i> <i>Commitment Met</i>
	9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs. **	<i>Commitment in Progress</i>
10. Responsible forest management	10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake. **	<i>Commitment Met</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has developed and implemented procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment in Progress</i>
	11.2 The MMCF producer can document giving preference to suppliers that have identified and adopted management measures to protect forested peatland at the concession and landscape level (peat dome) and that have identified, withdrawn from and restored peatlands and their hydrology. **	<i>Commitment in Progress</i>
12. Pollution Prevention	12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.  However, it will be noted when MMCF producers invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. Iyocell 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.	<i>Commitment in Progress</i>

### 4.3 Volume Summaries

Category	Explanation	Volume	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	12220	<b>18,6</b>
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	0	<b>0</b>
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	26441	<b>40,4</b>

FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	0	<b>0</b>
Non-FSC	Material received with no FSC claim.	0	<b>0</b>
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	26796	<b>41</b>

## Appendix 1: STANDARD CHECKLIST (CanopyStyle Verification Framework – Corporate Sourcing)

### 1. Evaluation of Site: Kelheim Fibres GmbH

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Craig Barker (Managing Director)
<b>Auditor(s):</b>	Gusti Ayu Fransiska Dewi
<b>People Interviewed, Titles:</b>	<ol style="list-style-type: none"> <li>1. Craig Barker (Managing Director)</li> <li>2. Alexander Bachmann (Strategic Marketing and Sales Manager)</li> <li>3. Michael Svoboda (Head of Quality Management)</li> <li>4. Robert Tremmel (Head of Purchasing)</li> </ol>
<b>Comments:</b> The interviewees were cooperative and provided necessary information in timely manner.	

### 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p><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>            Kelheim Fibres GmbH commitment is publicly available on Kelheim Fibres GmbH <a href="#">website</a>. Its Managing Director (Craig Barker and Johann Rockl) and Head of Purchasing (Robert Tremmel) signed the commitment. Kelheim Fibres GmbH also publicly informed its commitment through Kelheim Fibres GmbH’s press release that can be seen in its <a href="#">website</a>. At the CanopyStyle Brand Summit in Shanghai, Kelheim Fibres GmbH also announced that it is joining the CanopyStyle initiative.</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 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>            Kelheim Fibres GmbH has developed a Standard Operating Procedures (SOP) for its staff and its</p>

	<p>suppliers to implement the policy. The SOP is maintained through ISO 9001 Document Control Procedure. However, it has not been reviewed by civil society stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Key staff (including the procurement unit) are given responsibility to implement the policy. For instance, the head of quality management and head of purchasing should make sure procedures under their unit are aligned with the policy.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> <i>Insufficient</i> Information Available</p> <p><b>Description of the finding:</b>  Each department (e.g. production, purchasing, management, marketing, and others) in Kelheim Fibres GmbH has developed and has been implementing a training plan to build its staff's capacity to understand and implement the policy and SOP. There are also evaluations for checking the staff's understanding of the procedure.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <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>  Kelheim Fibres GmbH has communicated its wood pulp sourcing policy to its supplier through communication via email.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met</p>

	<input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Kelheim Fibres GmbH states supplier requirements to implement the policy is in its supplier contracts. The contract also states that Kelheim Fibres GmbH has the right to reject delivery of the material if it does not comply with the policy.
1.7 The MMCF producer has developed and is implementing a system to monitor supplier conformance with the Policy.**	<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> Kelheim Fibres GmbH does not have a system to directly monitor their suppliers in relevance to Wood Sourcing Policy. However, Kelheim Fibres GmbH has developed a system to check its supplier conformance with the policy through its due diligence in procurement system such as, FSC CoC delivery documents (to make sure it's FSC/PEFC certified), supplier audit plan, including checking the supplier's documentation system. The procurement manager is responsible to ensure that all the suppliers are in conformance.
1.8 The MMCF producer has put in place a transparent/public grievance procedure with the input and agreement of civil society stakeholders.	<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> According to Kelheim Fibres GmbH's Managing Director, Kelheim Fibres GmbH has developed a hotline system to receive complaints and a system to investigate the problem available for its customers, suppliers, stakeholders and local residents.
1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received.**	<b>Conformance with Indicator:</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available  <b>Description of the finding:</b> Kelheim Fibres GmbH has an action plan to address non-conformance and grievance, including non-conformities stated in the contract

	with supplier. However, there is no non-conformance nor grievance received so far because this is their initial audit.
1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**	<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>  There is only one production site at Kelheim Fibres GmbH. During the interview, the management staff confirmed knowledge and commitment to the policy.</p>
1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**	<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>  There is only one production site at Kelheim Fibres GmbH. During the interview, the Managing Director explained the SOP, relevant to point 1.2.</p>
<p><b>Summary:</b> Kelheim Fibres GmbH showed a clear commitment to not source from ancient and endangered forests and other controversial sources, reflected in its policy that is publicly published, supplier contracts, SOP and its staff's understanding of the policy. Kelheim Fibres GmbH has a grievance procedure, however it is only accessible to its customers.</p>	

2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	
Indicators	Findings
2.1 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><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>  Kelheim Fibres GmbH has produced risk assessment of its supply chain and provided it to Canopy with permission to share to the Leaders Group.</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><b>Conformance with Indicator:</b></p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met

	<p><input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  Kelheim Fibres GmbH only sourced from one sole supplier that sources from two dissolving pulp mills, which are classified as low risk supply chain in Classification of Dissolving Pulp mills (October 2019). Both suppliers are FSC and PEFC certified.</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>  <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>  Both dissolving mills suppliers are classified as low risk supply chain in the Classification of Dissolving Pulp mills (October 2019). Kelheim Fibres GmbH has produced risk assessment of its supply chain and provided it to Canopy with permission to share to the Leaders Group.</p>
<p>2.4 This supply chain assessment has been presented to the Leaders Group and stakeholders, allowing for questions to be answered and information gaps to be highlighted.</p>	<p><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>  Permission to share the supply chain assessment to the Leaders Group has been given. There has been no formal presentation to the Leaders Group. Stakeholders have not been given an opportunity for input.</p>
<p>2.5 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textiles retailers.</p>	<p><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>  Due to its contract with its suppliers, Kelheim Fibres GmbH is not allowed to publish its suppliers' name publicly. However, Kelheim Fibres GmbH allowed its customer to trace its supply chain and provides a grievance system for its customers if they object to a supplier. Therefore, the commitment is in progress until suppliers are listed publicly.</p>

**Summary:** Kelheim Fibres GmbH's one dissolving pulp mill supplier, was audited to the CanopyStyle verification framework in 2017 and determined to be sourcing from supply areas with low risk for ancient and endangered forests and other controversial sources. Their second audit is currently underway. Additionally, another dissolving pulp mill supplier, is covered in the Classification of Dissolving Pulp Mills. Results for both suppliers are determined at low risk of sourcing from key priority areas of ancient and endangered forests. Kelheim Fibres GmbH itself has conducted risk assessment for both suppliers with consistent results.

### 3. No conversion of natural forest to plantations

Indicators	Findings
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><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>            Kelheim Fibres GmbH did not investigate to obtain dates of plantation development of its supply chain. Both of its suppliers are considered as low risk for sourcing from key priority areas of ancient and endangered forests based on the Classification of Dissolving Pulp Mills.</p>
<p><b>Summary:</b> Kelheim Fibres GmbH did not investigate to obtain information regarding dates of plantation development of its supply chain, but its suppliers have been confirmed as low risk of sourcing from key priority areas of ancient and endangered forests .</p>	

### 4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated

Indicators	Findings
4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests," "intact forest," "natural forest," "endangered species," "controversial sources," "high conservation value," "high carbon area," "peatlands," etc. that are consistent with this document and the forest sourcing policy template.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>            Kelheim Fibres GmbH Wood Pulp Sourcing Policy mentioned the definition for ancient and endangered forests to refer to Canopy's Website. Kelheim Fibres GmbH has also added the definitions to supplier contract's amendment and sent it to its supplier.</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	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p>

<p>sources have been identified and shared with Leaders Group.**</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> As Kelheim Fibres GmbH policy to only source FSC/PEFC wood pulp, its suppliers are all FSC and PEFC certified and identified as low risk in the Classification of Dissolving Pulp Mills.</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> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> No such materials have been sourced.</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> <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> Kelheim Fibres GmbH policy states that all relevant German and EU policies are applied to its operation. There is no evidence of non-compliance with relevant laws for its suppliers as well.</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> <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 commitment is verified through confirmation that Kelheim Fibres GmbH sources FSC and PEFC certified only and sources from suppliers that have been determined low risk by CanopyStyle audit and the Classification Dissolving Pulp Mills for both suppliers.</p>
<p><b>Summary:</b> Kelheim Fibres GmbH sources from suppliers that have been determined as low risk by the Classification Dissolving Pulp Mills. Kelheim Fibres GmbH sources FSC and PEFC certified wood pulp only.</p>	

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

Indicators	Findings
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<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <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>  One of Kelheim Fibres GmbH's supplier has undergone a CanopyStyle audit and both suppliers are listed in the Classification of Dissolving Pulp Mills, indicating low risk. All suppliers are also FSC and PEFC certified.</p>
<p>5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found.**</p> <p>(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <input checked="" type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  In the Kelheim Fibres GmbH procurement policy and contract with supplier, it is clear that it only accepts sources compliant with the policy, at low risk of sourcing from key areas of ancient and endangered forests, and with FSC/PEFC certified. If the delivery is not certified and non-conformance is found, Kelheim Fibres GmbH has rights to cut the contract. Up to date, there is no non-conformance found.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b>  There is no non-conformance case found so far, thus there is no withdrawal/contract cut with its suppliers.</p>
<p><b>Summary:</b>  Kelheim Fibres GmbH procurement policy and its contract with suppliers stated the possibility to end the cooperation when any non-conformities are found.</p>	

<p><b>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.</b></p>	
<p><b>Indicators</b></p>	<p><b>Findings</b></p>
<p>6.1 Leaders Group and other stakeholder observers are invited to participate freely and</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

<p>to report observations during this verification process.**</p>	<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</p> <p><b>Description of the finding:</b>  Kelheim Fibres GmbH is agreeable to having Leaders Group and other stakeholders in participation.</p>
<p>6.2 Large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection has been completed, based on best available science, by a credible third party, and made public.**</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>
<p>6.3 If sourcing from controversial areas with records of conflict and human rights violation, an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public.**</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>
<p>6.4 The MMCF producer has developed a management plan that identifies and measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs.**</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>
<p>6.5 The MMCF producer has developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free, Prior and Informed Consent.**</p>	<p><b>Conformance with Indicator:</b>  <input checked="" type="checkbox"/> Not Applicable  <input type="checkbox"/> Commitment Met  <input type="checkbox"/> Commitment in Progress  <input type="checkbox"/> Commitment Not Met  <input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b></p>
<p><b>Summary:</b> Kelheim Fibres GmbH is open to discuss the audit result with the Leaders Group and to discuss sustainability aspects in its production and supply chain. It is also preparing to work with ENGOs to implement forest conservation and community empowerment plan.</p>	

**7. The MMCF producer shall recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.**

Indicators	Findings
<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 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>  Kelheim Fibres GmbH states its commitment to fully comply with German/EU law regarding human rights in its company policy as well as commitment to CanopyStyle Verification Framework which requires implementation of Free, Prior and Informed Consent of indigenous people and local communities and in addition to requiring all of its suppliers to do the same as stated in its contracts and SOPs.</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 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>  Kelheim Fibres GmbH suppliers sign contracts where they state their commitment to Kelheim Fibres GmbH policy on human rights, as articulated in its procurement policy and company code of conduct. All of its suppliers hold FSC Mix, FSC Controlled Wood and PEFC, and one of its suppliers has been audited to the CanopyStyle Verification Framework.</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 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>  Kelheim Fibres GmbH and its supplier hold FSC CoC certificate in which they are required to have a complaints procedure. Its both dissolving pulp mills suppliers both suppliers hold FSC Controlled Wood and FSC Mix, as well as PEFC and Canopy audited dissolving pulp mill. FSC and PEFC standards include requirements for complaints</p>

	<p>mechanism. There have been no complaints lodged as of this audit, and therefore this requirement is not applicable.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and organizational structure to recognize and respect the rights of its workers.</p>	<p><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>  According to interview with Kelheim Fibres GmbH Managing Director, the workers' rights have been shared to their staffs, including stated in the company policy (which refer to German Law). Kelheim Fibres GmbH and all of its suppliers are applying the same regulation based on their regional worker law (such as Austrian and Czech law). Worker Union in Kelheim Fibres GmbH has also an active role to make sure that worker's rights are respected. Additionally, FSC and PEFC standards include a commitment to uphold the ILO Declaration, where both suppliers are certified under those schemes.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its Tier one suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><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>  As Kelheim Fibres GmbH only source from certified FSC or PEFC products, all suppliers are upholding ILO Declaration on Fundamental Principles and Rights at Work as this requirement has always been part of FSC and PEFC certification requirements.</p>
<p>7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p><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>  Kelheim Fibres GmbH states its recognition and respect for human rights in its company code of conduct and principles, as well as being certified by FSC. There are no known social conflicts found.</p>
<p><b>Summary:</b> Kelheim Fibres GmbH states its commitment to human rights (including to workers and community) refer to applicable law (German and EU) and uphold ILO Declaration on Fundamental</p>	

Principles and Rights at Work as part of FSC requirement. The commitments to human/worker rights and principles apply to all of its suppliers that are also FSC and PEFC certified.

## 8. Development of Innovative and Alternative Fiber

Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <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>  Kelheim Fibres GmbH does have and implement internal action plan with innovative companies to develop alternative fibres that reduce environmental and social impacts. Further details regarding this is confidential.</p>
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable  <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>  Kelheim Fibres GmbH is currently in the testing stage of several alternative sources. Meanwhile several research reports have been produced, the company will prepare for entering a commercial scale phase after the test results.</p>
<p><b>Summary:</b> Kelheim Fibres GmbH is committed to develop alternative fibres by working with several companies through its Research and Development unit on this development.</p>	

## 9. Advocacy for conservation solutions

Indicators	Findings
<p>9.1 The MMCF producer has a track record of participating in events and taking actions that support collaborative and visionary system solutions that aim to protect remaining ancient and endangered forests.**</p>	<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>  Kelheim Fibres GmbH has been showing its support to protect remaining ancient and endangered forests through advocating CanopyStyle Verification Framework at Dardbirn</p>

	<p>Global Fibre Congress and communicate its commitment to the framework at some fairs its staff attended. International Textile Machinery Association (ITMA) exhibition) news reported that Kelheim Fibres GmbH was joining CanopyStyle and that attracted people to further discuss it at its exhibition booth. Additionally, Kelheim Fibres GmbH is also preparing to work with ENGOs on a conservation effort.</p>
<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>	<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>  Kelheim Fibres GmbH, through its Danufil® event presentation, promotes and explicitly mentions the CanopyStyle Initiative in its presentation and its meaning to the audience at one event they attended.</p> <p>Update since the audit was conducted:  In addition, Kelheim Fibres GmbH have taken action to support the conservation of critical forest landscapes, such as Indonesia’s Leuser Ecosystem, and Vancouver Island Rainforests.</p>
<p>9.3 The MMCF producer publicly supports large scale scientifically based conservation solutions, international and national target(s) and programs for preserving designated protected and conservation areas including the Free, Prior and Informed Consent of affected indigenous and local communities.</p>	<p><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>  Kelheim Fibres GmbH publicly released a statement to support conservation efforts by relevant governments and Canopy of the Leuser ecosystems and ancient forests on Vancouver Island.</p>
<p>9.4 The MMCF producer is developing and implementing specific programs to increase the endangered species population and the maintenance of their habitat through time, with government and/or ENGO programs.**</p>	<p><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>  Kelheim Fibres GmbH has a program to increase endangered species population and the maintenance of their habitat through its conservation action plan. Currently Kelheim Fibres GmbH is identifying suitable NGOs to work with them.</p>

**Summary:** Kelheim Fibres GmbH has been actively promoting CanopyStyle Initiative and have endorsed conservation solutions through various events, letters and actions. They also have a plan to work with conservation NGOs to implement its conservation action plan .

**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 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>  Kelheim Fibres GmbH refers criteria for responsible forest management according to EUTR 995/2010, FSC and PEFC standards and CanopyStyle Verification Framework. Its Managing Director states that their plan is to continue their sourcing policy to only source from FSC and PEFC certified product. Its internal strategic targets also include increasing FSC certified source for over the next 1-3 years, where after that they hope to have FSC 100% from all of its suppliers.</p>

**Summary:** Kelheim Fibres GmbH has defined criteria for responsible forest management as a combination of CanopyStyle policy and FSC. Their target is to have FSC 100% within the next three years.

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

Indicators	Findings
<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 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>  While Kelheim Fibres GmbH has a procedure to evaluate its own GHG production and energy saving. They also review one of their supplier's CO2 consumption and emission report and carbon neutral targets. However, Kelheim Fibres GmbH has not developed a procedure to review all its supplier's GHG emissions.</p>
<p>11.2 The MMCF producer can document giving preference to suppliers that have identified and</p>	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p>

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.\*\*

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

**Description of the finding:**

Kelheim Fibres GmbH sources all pulp from 2 suppliers engaged in CanopyStyle initiative. Despite the company confirmed is not sourcing from tropical areas and peatlands, some of their products are coming from FSC Mix and FSC Controlled Wood, which do not include forest management standard. The documentation is their policy and contracts.

**Summary:** Kelheim Fibres GmbH sources all pulp from 2 suppliers engaged in CanopyStyle initiative. The organization is not sourcing from tropical areas and peatlands.

## 12. Pollution Prevention

### Indicators

12.1 This verification process will not 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.

### Findings

**Conformance with Indicator:**

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

**Description of the finding:**

Kelheim Fibres GmbH does not have lyocell process but since a fire recently occurred at Kelheim Fibres GmbH mill, it switched into more efficient technologies. The technologies include sulphur and CO2 emission reduction and waste purification, however, its power plant uses 100% natural gas.

**Summary:** Kelheim Fibres GmbH does not make use of the lyocell process. The company has started to make investments in more efficient technology in its manufacturing process.

\*\* Indicates Critical Indicators

## Appendix 2: STANDARD CHECKLIST (CanopyStyle Verification Framework – Viscose Mill Checklist)

## 1. Evaluation of Site: Kelheim Fibres GmbH Production Site (Desktop Audit)

<b>Primary Responsible Person:</b> (Responsible for control system at site(s))	Mr. Craig Barker (Managing Director)
<b>Auditor(s):</b>	Gusti Ayu Fransiska Dewi
<b>People Interviewed, Titles:</b>	<ol style="list-style-type: none"> <li>1. Craig Barker (Managing Director)</li> <li>2. Alexander Bachmann (Strategic Marketing and Sales Manager)</li> <li>3. Michael Svoboda (Head of Quality Management)</li> <li>4. Robert Tremmel (Head of Purchasing)</li> </ol>
<b>Brief Overview of Audit Process for this Location:</b>	This audit is conducted through Desktop, together with the corporate sourcing checklists.
<b>Comments:</b>	

## 2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing their Fiber Sourcing/Forest Policy	
Indicators	Findings
1.10 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p><b>Conformance with Indicator:</b></p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> Kelheim Fibres GmbH has only one production site, thus the management is the same (with the same key staffs). The company has the same procedures to be implemented at corporate sourcing and mill, and during the interview the key managers demonstrated their understanding of the policy and have commitments 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</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p><b>Description of the finding:</b> Kelheim Fibres GmbH has only one production site, thus the management is the same (with the same key staffs). The production site has the same procedures to be implemented as the company's.</p>

**Summary:** Kelheim Fibres GmbH has only one production site with the same management as its corporate sourcing. The company shares the same SOP to be implemented at corporate sourcing and mill, and during the interview the key managers demonstrated their understanding of the policy and have commitments to implement 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 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>  Kelheim Fibres GmbH's production site maintains all purchase and sales and documentation related to the wood fiber inputs. Kelheim Fibres GmbH mentioned forest origin of the wood pulps in the supplier form for overall inputs, however its suppliers do not provide forest of origin nor GPS points, coordinates, shapefiles, etc to Kelheim Fibres GmbH.</p> <p>Both of its suppliers are FSC and PEFC certified and one have undergone to a CanopyStyle audit and both are mentioned in the Classification of Dissolving Pulp Mills.</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>  The production site records all delivery documentation with the wood fibre inputs, however its suppliers do not provide identification of forest of origin nor GPS points, coordinates, shapefiles, etc.</p> <p>In the supplier form, Kelheim Fibres GmbH management also noted the area of forest/plantation origin for overall inputs.</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> Kelheim Fibres GmbH sales and delivery documentation records verified that the delivery is FSC and PEFC certified.</p>
2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.	<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> Since production site and MMCF producer is under one management, the information regarding summary of annual purchases and sales are shared with the producer.</p>
2.10 All Suppliers provide <u>outgoing</u> transportation documents that include the forest/plantation of origin and certification status if relevant	<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> When an FSC-certified or FSC Controlled Wood sale is being made, an FSC claim is made via the transportation documents. However, no information on forest of origin is specified.</p>
<p><b>Summary:</b> Although all of Kelheim Fibres GmbH suppliers are FSC certified and one has been audited by a CanopyStyle audit, Kelheim Fibres GmbH does not have information of forest/plantation origin for each delivery.</p>	

**4. Sourcing from ancient and endangered forests and other controversial sources have been eliminated.**

Indicators	Findings
4.4 The production site/mill is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws.**	<p><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> Since the production site and the company are under the same Kelheim Fibres GmbH policy, the production site also states that all relevant German and EU policies are applied for to its operation.</p>

<p>4.5 Production site/mill understands the definitions of Ancient and Endangered forests and controversial sources. They also comply with the commitment to not procure wood from Ancient and Endangered forests and controversial sources.</p>	<p><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>          Since the production site and corporate sourcing are under the same Kelheim Fibres GmbH policy, during interview, the managers showed their understanding of the definitions of the Ancient and Endangered forests and controversial sources. The production site also complies with the commitment to not procure wood from those area, as the policy states only source from FSC and or PEFC certified suppliers.</p>
<p>4.6 Production mills have conducted assessment of presence of ancient and endangered forests and other controversial forests in their wood supply areas.</p>	<p><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>          Since the production site and the company are under the same management, Kelheim Fibres GmbH has an assessment that their suppliers are not sourcing from ancient and endangered forests and other controversial forests, by verifying their FSC/PEFC certification and Kelheim Fibres GmbH internal audit to its suppliers.</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></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 of its suppliers are FSC and PEFC certified (holding both certifications), where one of its dissolving pulp mill suppliers has been audited by a CanopyStyle audit resulting low risk indication while another dissolving pulp mill suppliers is listed in the Classification of Dissolving Pulp Mills which indicate there is no source from key priority areas of ancient and endangered forests and other controversial sources are found in this CanopyStyle audit.</p>
<p><b>Summary:</b> There is no source from key priority areas of ancient and endangered forests and other controversial sources are found in this CanopyStyle audit.</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 non-conformances to the CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p><b>Conformance with Indicator:</b></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><b>Description of the finding:</b> No such cases happened.</p>	
<p><b>Summary:</b> Kelheim Fibres GmbH only source FSC/PEFC certified suppliers, where its suppliers have also undergone a CanopyStyle audit and study which indicate low risk. Up to the present, there has no been any source coming from ancient and endangered forests and other controversial areas.</p>	

7. Recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies.	
Indicators	Findings
7.1 The production site/mill has developed and adopts a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.**	<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 production site has the same policy, systems and procedures with the company.</p>	
7.2 The production site/mill document how they conform with the MMCF producer's commitment to recognize and respect human rights, community rights, First Nations rights and rights of workers.	<p><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> As the production site uses the same procedures as the company regarding this indicator, therefore the production site conformities are documented under the company, which it is comply with German, EU and ILO (under FSC) laws regarding this indicator.</p>	
7.3 The production site/mills show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties and includes relevant stakeholders.	<p><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  <b>Description of the finding:</b> The production site is under one management with the MMCF producer and therefore share the same complaints mechanism. They also comply with the FSC CoC required the complaint system.
7.4 The production site/mill and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.	<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> As the production site is under one management with the MMCF producer, the production site is included in the internal capacity plan and company structure, including Kelheim Fibres GmbH labor union.
7.5 The production site/mill has developed procedures to ensure commitment to the International Labour Company (ILO) Declaration on Fundamental Principles and Rights at Work and will require the equivalent of their own 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 production site is under one management with the MMCF producer and therefore share the same commitment to the ILO Declaration. Moreover, they only source from certified FSC or PEFC products, all suppliers uphold ILO Declaration on Fundamental Principles and Rights at Work.
7.6 Recognition and respect for human rights is demonstrated. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.	<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> As the production site shares Kelheim Fibres GmbH recognition and respect for human rights through its company code of conduct and principles, as well as being certified by FSC. There are no social conflicts found.
<b>Summary:</b> The production site and the company falls under one management, thus its commitment to human rights (including to workers and community) refer to applicable law (German and EU) and uphold ILO Declaration on Fundamental Principles and Rights at Work as part of FSC requirement. The commitments to human/worker rights and principles apply to all of its suppliers.	

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## Appendix 3: RECOMMENDATIONS FOR IMPROVEMENT

Canopy applauds Kelheim Fibres GmbH for embarking on the verification process in fall 2019, and for achieving an audit result of low risk of sourcing from key areas of ancient and endangered forests. The audit nonetheless identifies some areas for improvement. Based on the review of the audit report, Canopy recommends the following next steps:

Further develop and implement the procedure to monitor supplier compliance with Kelheim Fibres GmbH's wood and pulp sourcing policy;

Continue to increase the amount of Forest Stewardship Council forest management certified inputs used in products, the company should set clear targets and timelines to increase FSC intake over time, with a focus on FSC 100%. FSC Mix should be an interim step to achieving fully certified material.

Explore additional avenues to support the conservation of forests, particularly those with high biodiversity and carbon value;

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

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

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will be essential to ensure that Kelheim Fibres GmbH continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

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