



CanopyStyle Audit Report

for MI Demo Ltd

Assessment 2021

Evaluation date: 24th and 25th of February 2021

Report date: 6th of August 2021

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INTRODUCTION

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

The purpose of this report is to document performance of *MI Demo Ltd* hereafter referred to as “Company”, against the requirements of the Verification Framework and Guidelines, (September 2020 version¹) and related guidance documents² developed by Canopy and approved, supported and requested by the Fashion and Textile Leaders for Forest Conservation (Leaders Group)³ and the over 320 brands, retailers and designers looking to implement their sourcing policies for man-made cellulosic textiles. The focus of this verification audit is to manage the risk and avoid sourcing from ancient and endangered forests and other controversial sources and implement other sustainable sourcing measures, across the supply chain from the point of wood harvesting in forests and/or plantations and through to the brand and retail customers. Man-made cellulosic fibre (MMCF) producers are required to document and provide evidence towards a set of pre-defined social and environmental criteria and key progress indicators as part of the CanopyStyle initiative.

The audit presents the findings of Preferred by Nature auditors who have evaluated company systems and performance against the applicable standard(s). Section 4 below provides the evaluation conclusions. The auditor reviewed and used Canopy’s map of ancient and endangered forests, which has been overlaid with the sourcing regions and list of suppliers of the company to assess the level of risk, as well as further guidance document such as the Dissolving Pulp Classification Tool and the Advice Note on Ancient and Endangered Forests⁴.

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

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

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

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

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

1. GENERAL DESCRIPTION

1.1 Company overview

MI Demo is operating a demo plant that produces the newly invented Kuura® textile fibre which is made through a kind of lyocell process using 100% softwood paper-grade pulp from Metsä Fibre's bioproduct mill in Äänekoski. The demo plant is integrated to the bioproduct mill in Äänekoski. MI Demo is essentially part of the Metsä Group. The [Metsä Group](#) is a large organization with 5 areas of business (forest, solid wood products, paper-grade pulp, board, and tissue paper) and 37 production facilities in 9 countries. MI Demo is in practice owned by Metsä Spring and Itochu. All pulp fibers sourced by MI Demo comes from Metsä Fibre's bioproduct mill which in its turn only source wood from Metsä Forest in Finland. Metsä Spring, Metsä Fibre and Metsä Forest all belong to Metsä Group. The bioproduct mill is located at the same site and MI Demo is connected to the mill through a pipeline where all raw material comes from. The wood used to make the pulp originates from the area close to Äänekoski but could potentially also come from all of Finland.

1.2 Company scope (sites, locations, etc)

The only site included in the scope of this audit is the MI Demo plant in Äänekoski, Finland (MI Demo Oy, Sarvelantie 1, 44100 Äänekoski, Finland). Policies and sourcing information covers other Metsä Group entities, mainly Metsä Fibre and Metsä Forest. However, as part of the group, MI Demo complies with all group-level policies and guidelines. The official correspondence goes through Metsä Spring (MI Demo Oy, c/o Metsä Spring Oy, Metallimiehenkuja 10, 02150 Espoo, Finland).

1.3 Company sourcing policy

MI Demo is part of Metsä Group and adopts all relevant policies and procedures from Metsä Group. Metsä Forest is responsible for the practical implementation of all wood sourcing and have implemented the sourcing policy for many years. The policies and sustainability work have gradually changed and developed during the years after the first sourcing policy was adopted. Metsä Group and MI Demo do not have a CanopyStyle specific policy.

All raw material sourced to the Äänekoski mill (Metsä Fibre) origins from the region surrounding Äänekoski but could potentially also come from all of Finland.

The policies can be found on Metsä Group's website:

<https://www.metsagroup.com/en/Sustainability/sustainability-management/policies/Pages/default.aspx>

The following policies are the main basis for the CanopyStyle evaluation. MI Demo does not have a specific policy related to the CanopyStyle framework, but the Metsä Group work with policies that are adopted to the whole group.

- Environmental Policy
- Code of Conduct
- Supplier Code of Conduct
- Human Resources Policy
- Occupational Safety and Wellbeing Instructions
- Equality Policy
- Governance
- UK Modern Slavery Act transparency statement

Metsä Group is mainly working with FSC and PEFC as a tools to ensure sustainable sourcing. In order to live up to the requirements in for example FSC Controlled Wood (CW), Metsä Forest (the part of the group responsible for sourcing of raw material) uses maps where risks for high value forests are mapped. The areas marked as potential high value forests overlap with areas marked as ancient and endangered forests in the ForestMapper. In correspondence to the audited supplier contracts and FSC CW, suppliers agree on not sourcing from any controversial sources including high conservation value 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:		
Map of Ancient and Endangered Forests Overlay Completed:	<input checked="" type="checkbox"/> Yes Note: this is done indirectly via their GIS system	<input type="checkbox"/> No
Mill Capacity:	350 ton/year	
Primary Activity:		
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: 9 staff (3 additional board members)	Permanent female: 5 staff (1 additional board member)
	Contract male: 0	Contract female: 0
	TOTAL: 14 staff (4 board members)	

Sites included in evaluation	Location
MI Demo Ldt	Äänekoski, Central Finland

3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Rebecka McCarthy Tune	<p>Rebecka has a PhD in forestry and M.Sc. in forest management from the Swedish University of Agricultural Sciences.</p> <p>Rebecka is an FSC, PEFC and SBP auditor based in Sweden and has experience from audits withing forest certification (FSC / PEFC Forest management standards), traceability (FSC / PEFC Chain of Custody standards) and biomass (SBP- Sustainable Biomass Program).</p> <p>Furthermore, Rebecka works with evaluation of supply chains, education and support related to legality and EU Timber Regulation (EUTR).</p> <p>She has a background in forest management research connected to biomass production. Rebecka worked at the Forestry Research Institute of Sweden (Skogforsk) for five years.</p>

3.2 Audit Overview

Site(s)	Audit date	Total on-site audit time (Hours)
MI Demo Ldt (desk-based) all participants in other locations	24 th and 25 th of February 2021	6.5

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

3.3 Description of Overall Audit Process

The audit was divided into two days in order to make it possible for participants from Itochu in Japan to join the audit. Metsä Group and Itochu owns 50% each of the MI Demo plant.

Day 1:

Opening meeting: all participants introduced themselves and their responsibilities. Auditor went through the audit process. The responsible person at MI Demo introduced the company structure and overall responsibilities related to sourcing.

The first day of the audit focused on the sourcing and traceability built in to the Metsä Cooperative’s sourcing in policy and practice. This included supplier contracts and commitments.

Applicable national laws were discussed as well as any recent authority controls.

The day finished with a description of the material sourced from Metsä Fibre to the MI Demo plant.

Day 2:

Control of the content of the GIS maps used when sourcing wood by Metsä Forest and compare it to the ForestMapper. Stakeholder consultations and involvements, indigenous peoples’ rights, worker’s conditions and knowledge about the Metsä Group’s Code of Conduct were covered.

At the mill level, the plant was shown, and the production processes were presented. An interview with one of the plant managers was conducted.

The audit was finished with a closing meeting where auditor’s conclusions were presented as well as the further process. Opportunities for questions were given.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

The MI Demo plant only source from one supplier which belongs to the same corporation as themselves (Metsä Group). The traceability system of wood origin is well-implemented within the corporation and each truck of wood origin to the neighbouring bioproduct mill is traceable back to the forest of origin. The corporation uses well-developed maps that also cover areas marked in the ForestMapper, which gives reliable information that cooperation is not sourcing from these areas (the areas in ForestMapper are also typically already protected through national reserves).

Metsä Group implements its policies on all suppliers and requires that they do the same. Suppliers are regularly monitored. MI Demo is not yet certified themselves, but the group which supply raw material sources as a minimum FSC Controlled Wood. The conclusion from this audit is that it is low risk that MI Demo sources raw material that origins from forests classified as ancient and endangered forests or other controversial sources.

4.2 Summary of findings

Rating	Color
Not Applicable	
Commitment Met	
Commitment in Progress	
Commitment Not Met	
Insufficient Information Available	

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 in Progress</i>
	1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **	<i>Commitment in Progress</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 company 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 in Progress</i>

	1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers. **	<i>Commitment in Progress</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 grievance procedure.	<i>Commitment Met</i>
	1.9 The MMCF producer has developed, and is implementing, an action plan that address any identified non-conformance and grievance received. **	<i>Commitment Met</i>
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment in Progress</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment in Progress</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. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **	<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 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment Met</i>
	2.4 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment Met</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>Not Applicable</i>
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial	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	<i>Commitment in Progress</i>

sources have been eliminated	carbon area”, “peatlands”, etc. that are consistent with this document and the forest sourcing policy template. **	
	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 Canopy, with permission to share 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>Not Applicable</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-compliance, with local, national or international laws. **	<i>Commitment Met</i>
	4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified. **	<i>Commitment 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>Not Applicable</i>
6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	6.1 When requested, Canopy, 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 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	<i>Not Applicable</i>

	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>Not Applicable</i>
	6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOs. **	<i>Not 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>Not 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 Companyal 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 Company (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 by the MMCF producer and its pulp suppliers. 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 Not Met</i>
	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.	<i>Commitment Not Met</i>
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 in Progress</i>
	9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities. **	<i>Not Applicable</i>
	9.3 The MMCF producer publicly supports science-based international and national target(s) and programs for preserving designated protected and conservation areas that have the Free, Prior and Informed Consent of affected indigenous and local communities.	<i>Commitment in Progress</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 in Progress</i>
11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	<i>Commitment Met</i>
	11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest	<i>Commitment Met</i>

	landscapes.	
	11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	<i>Commitment Met</i>
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> address the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<i>Not Applicable</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)	-	100%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System	-	0%
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	-	2.5%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	-	0%
Non-FSC	Material received with no FSC claim.	-	0%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	-	88.6%

Note: This volume summary provided percentages planned for production rather than actual, as MI Demo is a new plant.

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

1. Evaluation of Site: MI Demo Ltd

Primary Responsible Person: (Responsible for control system at site(s))	Niklas von Weymarn, CEO Metsä Spring Ltd and Chair of the Board of MI Demo Ltd
Auditor(s):	Rebecka McCarthy Tune
People Interviewed, Titles:	<p>Niklas von Weymarn, Overall CanopyStyle responsible. CEO Metsä Spring Ltd and Chair of the Board of MI Demo Ltd - Finland</p> <p>Marko Ruottinen, Sustainability manager Metsä Fibre, Responsible for CoC, EUTR and sustainability - Finland</p> <p>Vesa Junnikkala, Sustainability director Metsä Forest, Responsible for CoC, EUTR, Origin and forest development - Finland</p> <p>Keiji Takanashi, Import and trading responsible in Europe for Itochu, has been involved in the MI Demo plant project since the initial start in 2013 - Italy</p> <p>Yuki Kamagata, Itochu Responsible cellulosic fibre including developing of market and sustainability issues - Japan</p> <p>Miho Suzuki, Consultant for Itochu, raw material purchases – Japan</p> <p>Anna Hyytiainen, Certification Specialist Metsä Group – Finland</p>
Brief Overview of Audit Process for this Location:	Please see Section 2.3 above for Description of Overall Audit Process.
Comments:	

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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo’s commitment is publicly available on Metsä Group’s website. MI Demo is part of Metsä Group and adopts all relevant policies. All fibers sourced by MI Demo comes from Metsä Fibre and the wood from Metsä Forest. Metsä Forest is responsible for the practical implementation of all wood sourcing and have</p>

	<p>implemented the sourcing policy for many years. The policy has gradually changed and developed during the years after the first sourcing policy was adopted.</p> <p>Marko Ruottinen (Sustainability manager Metsä Fibre and Responsible for CoC, EUTR and sustainability) is a key person in this supply chain since all fibre comes from Metsä Fibre.</p> <p>Vesa Junnikkala (Sustainability director Metsä Forest) is responsible for the practical implementation of all wood sourcing.</p> <p>Niklas von Weymarn (Chair of the Board of MI Demo) is the main responsible for the CanopyStyle commitment for the new MI Demo plant.</p> <p>While MI Demo and Metsä Forest do have a strong sourcing policy that includes many of the CanopyStyle requirements to eliminate sourcing from Ancient and Endangered Forests and other controversial sources, however it is not fully aligned with specific language and definitions regarding these requirements. Due to this lack of specification, this indicator is being graded as in progress.</p>
<p>1.2 The MMCF producer has developed standard operating procedures (SOP) required to implement the Policy. These are available upon request to stakeholders. **</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The Organisation has a very direct supply chain where the members of Metsä Group controls all purchases (see 1.1). Metsä Fibre and Metsä Forest has full traceability through their supply chains. The operating procedures to implement the sourcing policy and the requirements of relevant CoC-certification systems are fully implemented. Where audits/control of suppliers of wood is not possible due to confidentiality, external independent auditors are used instead to control that suppliers also live up to the controls required in the supplier contracts.</p> <p>All suppliers are risk assessed and has signed supplier contracts which includes statements that they apply the same requirements on any of their suppliers or contractors.</p> <p>As a minimum, all wood sourcing lives up to the requirements of FSC DDS for Controlled Wood.</p>

	<p>While MI Demo and Metsä Forest do have a strong sourcing policy that includes many of the CanopyStyle requirements to eliminate sourcing from Ancient and Endangered Forests and other controversial sources and they have developed SOPs to implement their policy, the current policy does not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources. Due to this lack of specification, this indicator is being graded as in progress.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p>Conformance with Indicator:</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>Description of the finding: Key staff have the responsibility to implement the policies. Responsibilities are clearly defined and depends on if the wood suppliers are members of the Metsä Forest (i.e. the forest owner's association) and deliver wood directly from their own forest, or if purchase takes place from other wood suppliers.</p>
<p>1.4 The MMCF producer has developed capacity and Company structure to implement the Policy.</p>	<p>Conformance with Indicator:</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>Description of the finding: All sourcing and policies come from Metsä group and all associated units have put large resources into their traceability system and implementations of their policies. All staff within the Metsä group has received on-line training related to the policies to raise a certain level of awareness.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</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>Description of the finding: Metsä Forest (who takes care of all the wood sourcing to MI Demo) has communicated its wood sourcing policy to all its supplier. All</p>

	<p>suppliers have also signed contracts that contains relevant requirements related to the sourcing policy.</p> <p>This indicator is being graded as in progress, as the current policy does not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>All suppliers have signed contracts that contains relevant requirements related to the sourcing policy. The contracts also require suppliers to require the same thing of their own suppliers. The contract also states that Metsä Forest has the right to reject deliveries of material that do not live up to the agreement and do not comply with the policy. Further, the contracts states that supplier must inform Metsä Forest if there are any changes in sourcing.</p> <p>This indicator is being graded as in progress, as the current policy does not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>
<p>1.7 The MMCF producer has developed, and is implementing a system to monitor supplier conformance with the Policy.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>On a sample basis, suppliers are exposed to both internal audits made by Metsä Forest or their hired wood sourcing experts, or external audits made by certification bodies in relation to traceability or forest certification audits.</p> <p>This indicator is being graded as in progress, as the current policy does not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>
<p>1.8 The MMCF producer has put in place a</p>	<p>Conformance with Indicator:</p>

<p>grievance procedure.</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>Description of the finding:</p> <p>The Metsä Group has a system for submitting complaints (https://report.whistleb.com/en/metsagroup) and procedures for how to handle them. Any stakeholder or customer can submit complains through the webpage, or through contacting a member from Metsä Group’s Compliance Committee.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Group has procedures that make sure any addressed non-conformance or grievance are handled within the timeframes specified in their traceability certificates. These procedures include any breakage against policies related to their suppliers which are specified in supplier contracts.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>All key personnel involved in this audit are well-aware of the Metsä Group’s policies and commitments. During interviews, the management staff confirmed knowledge and commitment to the policy. All people employed by any of the Metsä Group’s entities are regularly taking on-line trainings regarding the group’s policies. This on-line system was demonstrated during the audit and staff confirmed how this works during interviews.</p> <p>This indicator is being graded as in progress, as the current policy does not specifically integrate the CanopyStyle policy elements to</p>

	not source from ancient and endangered forests and other controversial sources.
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>There is only one production site, which has recently started up and is still in the testing phase. The Policies are implemented on a group level and all relevant Metsä Group members has relevant procedures to live up to the sourcing policies. This resulted in a well implemented sourcing policy system even before the MI Demo plant was up and running.</p> <p>This indicator is being graded as in progress, as the current policy and procedures to implement it do not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>
<p>Summary: MI Demo and Metsä Group showed a clear commitment not source from controversial sources. This is reflected in publicly available policies and how these policies are implemented through Metsä Forest's the sourcing methodology. All suppliers have contracts that lives up to the standard operating procedures (SOP) and all interviewed staff understands of the policy. All staff within the Metsä Group have received training related to different company policies. Metsä Group has a grievance procedure accessible to any stakeholder or customer. However, many indicators are being graded as in progress, as the current policy and procedures to implement do not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</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. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and the Dissolving Pulp Classification tool, to make their supply assessment. **</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo receives wood fibres that are sourced in a region that does not have any Ancient and Endangered Forests (central Finland). Potentially, sourcing could take place outside of this region and would then have a small chance to come from Northern Finland where there are Ancient and Endangered Forests</p>

	<p>marked on the Forest Mapper. Metsä Forest avoids sourcing from any areas that could be classified as Ancient and Endangered Forests, or other areas with high conservation values or intact forest landscape. In order to avoid such areas, they use a GIS system that contain filters of such areas. It was confirmed during the audit that the areas marked in Forest Mapper were classified as restricted areas also in the GIS system. These maps are also used by any external suppliers to Metsä Forest.</p>
<p>2.2 The assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>All of MI Demo’s sourcing comes from Metsä Fibre who only source from Metsä Forest (Finland). It was confirmed during the audit that Metsä Fibre and Metsä Forest have traceability systems in place to make sure all trucks can be traced back to the forest of origin. For example, when trucks arrive at Metsä Fiber, all trucks can be identified with the plate number that is directly linked to the purchase contract and contains information regarding location and species.</p> <p>Note: The Metsä Group website includes information on origin of wood that includes Finland, Russia, Sweden and the Baltic countries. This information is for all Metsä Group sourcing, and not specific to Metsä Forest, which only sources from Finland</p>
<p>2.3 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The number of suppliers to Metsä Forest is large and the system for tracing all logs from the forest to the mill is continuous running and does not require any additional assessment outside of the certification systems implemented. MI Demo is willing to share supplier assessments done in relation to wood sourcing with Canopy or its Leaders Group.</p>
<p>2.4 The producer developed additional criteria</p>	<p>Conformance with Indicator:</p>

<p>to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p> <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>Description of the finding:</p> <p>This requirement is included in Metsä Group's evaluation of suppliers when they implement the FSC Controlled Wood standard or buy FSC/PEFC Certified wood. These elements are assessed for the country of Finland by FSC, which Metsä Group adopts. Regarding risks for GMO trees and forest conversion, the risk is assessed as not applicable for Finland since GMO trees are not allowed for commercial use and there is no risk for conversion of natural forest to plantations (see for example the FSC Centralized National Risk Assessment for Finland).</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>Conformance with Indicator:</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>Description of the finding:</p> <p>The direct supplier to MI Demo can be found on Metsä Springs part of Metsä Group's website or on the textile product's website: https://metsaspring.com/project/textile-fibre-from-paper-grade-pulp/ or https://www.kuura.io/process/</p>
<p>Summary: MI Demo sources pulp fibres that comes from a well-developed traceability system and they have access to all relevant information through the Metsä Group. The only supplier to MI Demo is publicly available (link). With help of modern technology (GIS) Metsä Forest, which is responsible for the sourcing at the forest level, can assure that no sourcing takes place from Ancient and Endangered Forests. Further, since their minimum requirement for wood sourcing is FSC Controlled Wood, and they do not source from the northern part of Finland they can also assure that risks related to legality and human rights are low. Regarding conversion of natural forests to plantations and use of Genetically Modified Organism these areas are assessed as not applicable to Finland.</p>	

3. No conversion of natural forest to plantations	
Indicators	Findings
<p>3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting FSC certificate.**</p>	<p>Conformance with Indicator:</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 </p>

	<input type="checkbox"/> Insufficient Information Available Description of the finding: <p>This commitment is considered not applicable since there are no plantations in Finland. Many forests in Finland are planted with seedling, but are not considered plantations but regenerated natural forests. The FSC NRA support this conclusion.</p>
<p>Summary: Risks related to conversion of natural forest to plantations are assessed as not applicable to MI Demo and Finland (see for example the FSC Centralized National Risk Assessment for Finland).</p>	

4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial sources have been eliminated	
Indicators	Findings
<p>4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & 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>Conformance with Indicator:</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>Description of the finding: Metsä Group has included definitions and statements in their supplier contracts which are in line with the FSC Controlled Wood definitions. This indicator is being graded as in progress due to the lack of clear definitions related to ancient and endangered forests in public policies and the lack of a public policy adopted by MI Demo.</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 Canopy, with permission to share Leaders Group.**</p>	<p>Conformance with Indicator:</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>Description of the finding: MI Demo receives wood fibre that are sourced in a region that does not have any identified Ancient or Endangered Forests. Potentially, sourcing could take place outside of this region and would then have a small chance to come from Northern Finland where there are Ancient and Endangered Forests marked on the Forest Mapper. Metsä Forest avoids sourcing from any areas that could be classified as Ancient and Endangered Forests, or other areas with high conservation values or intact forest landscape. In order to avoid such areas, they use a GIS</p>

	<p>system that contain filters of such areas. It was confirmed during the audit that the areas marked in Forest Mapper were classified as restricted areas also in this GIS system. These maps are also used by any external suppliers to Metsä Forest.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>The way of sourcing and the sourcing policy has been adapted by Metsä Group for many years, but continuously developed over the years. MI Demo started its test production in 2021 and has not received and raw material that is not sourced under current sourcing requirements.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>The representatives from different parts of Metsä Group (MI Demo, Metsä Fibre and Metsä Forest) showed good knowledge about relevant Finish and EU legislations, including the Finnish forest legislation. This is also required for the FSC and PEFC certifications the Group is having.</p>
<p>4.5 The commitment not to source from ancient and endangered forests and other controversial sources is verified.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>Yes. See 4.2 for details regarding how this is assured in practice.</p>
<p>Summary: MI Demo sources pulp fibres that comes from a well-developed traceability system and they have access to all relevant information through the Metsä Group. With help of modern technology (GIS) Metsä Forest, which is responsible for the sourcing at the forest level, can assure that no sourcing takes place from Ancient and Endangered Forests. There is no raw</p>	

material in storage that was sourced during a period when the Metsä Group did not adapt relevant certification systems and sourcing policies.

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

Indicators	Findings
<p>5.1 All MMCF producers' suppliers are identified and the forest of origin is known.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>All MI Demo's suppliers and full supply chains are known and well documented through the Metsä Forest sourcing method and the Metsä Group's forest certification systems (minimum FSC CW is sourced). This means that all raw material reaching Metsä Fibre and MI Demo can be traced back to the actual forest of origin.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>In the Metsä Group procurement and contractual system and policy with supplier, it is clear that the Group only accepts sources compliant with the policy. Any deliveries that do not comply with the contracts can be rejected and all material must be compliant to reach at least the FSC CW requirements. If the non-conformance is found, Metsä Group as a procedure on how to handle this supplier. This results in mitigation measures for future supplies or that the sourcing from this supplier stops. All suppliers are first assessed before a cooperation starts and then a sample of suppliers are audited annually to confirm conformity.</p>
<p>5.3 The MMCF producer has documented withdrawals from supply agreements where non-conformance has been found.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>Non-conformance with the policies have not been found to date, as MI Demo is not an active site yet.</p>
<p>Summary: Metsä Forest assess suppliers when cooperation is initiated and then regularly on a sample basis to assure the suppliers are committed and can deliver raw material in compliance with the sourcing policy. Metsä Group's contracts with suppliers states the possibility to end the cooperation and get compensation for deliveries that is not in compliance with the contracts.</p>	

6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation.	
Indicators	Findings
6.1 When requested, Canopy, Leaders Group and other stakeholder observers are invited to participate freely and to report observations during this verification process. **	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo is aware of this requirement and is agreed to have the Leaders Group and other stakeholders in participation.</p>
6.2 The MMCF producer requires of its supplier to complete large scale scientifically based conservation planning, High Conservation Value assessments, and/or High Carbon Value assessment, identifying areas for protection, has been completed, based on best available science, by a credible third party, and made public. **	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo has demonstrated that they are not sourcing from key priority areas of ancient and endangered forests.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo has demonstrated that they are not sourcing from key priority areas of ancient and endangered forests.</p>
6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies and measures to protect areas	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable</p>

<p>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><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>Description of the finding: MI Demo has demonstrated that they are not sourcing from key priority areas of ancient and endangered forests.</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>Conformance with Indicator: <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>Description of the finding: MI Demo has demonstrated that they are not sourcing from key priority areas of ancient and endangered forests.</p>
<p>Summary: MI Demo is open to discuss the audit result with the Leaders Group and to discuss sustainability aspects in its production and supply chain. Metsä Group arrange different kinds of stakeholder meetings when appropriate. For example, a large meeting was held when the Bioproduct mill was built in 2014 (the Metsä Fibre site that is the only supplier to MI Demo). Metsä forest involve stakeholders in a regular basis as required by the FSC and PEFC standards. MI Demo has demonstrated that they are not sourcing from key priority areas of ancient and endangered forests and therefore 6.2-6.5 are not applicable.</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>Conformance with Indicator: <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>Description of the finding: Metsä Group states in its company policy that they fully commitment to comply with Finish and EU legislation regarding human rights. This requirement is also partially covered by the FSC standards which the Group is certified against. Commitments cover suppliers and the full supply chain.</p> <p>It should be noted that the MI Demo plant is not currently sourcing from areas where indigenous people are located.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Forest has integrated this part in their supplier contracts and the associated supplier code of conduct. The suppliers are on a sample basis audited for conformance in accordance with the FSC Controlled Wood requirements.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>This is an integrated part of Metsä Group's FSC and PEFC certification system and it is also included in the supplier contracts.</p>
<p>7.4 The MMCF producer and its suppliers have developed internal capacity and Company structure to recognize and respect the rights of its workers.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Group has specific policies and guidelines regarding worker's rights, anti-discrimination, well-being at work, etc. The HR department is overall responsible of these policies, but it is also an integrated part of the FSC and PEFC systems. MI Demo is not yet certified, but since they implement all applicable policies stated for the Metsä Group, this requirement is assessed to be met. Metsä Group implements employment agreements that are a result from collectively negotiated contracts that are agreed on between workers and employers associations.</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</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress</p>

<p>and Rights at Work and will require the equivalent of their own suppliers.</p>	<p><input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>This is stated in Metsä Group’s HR policies and supplier contracts. Finland is also a member of ILO and has a strong legislation concerning worker’s rights and conditions in the country. The legislation is generally well-monitored and followed (see for example the FSC Centralized National Risk Assessment for Finland). Additionally, the FSC and PEFC standards which Metsä Group is certified against include commitments to uphold the ILO Declaration.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by the MMCF producer and its pulp suppliers. There is no evidence of avoiding or failing to resolve social conflicts and remedy past or current human rights violations.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo and Metsä Group states its recognition and respect for human rights in its company code of conduct and policies, as well as being certified by FSC and PEFC. There are no known social conflicts identified.</p>
<p>Summary: The Metsä Group and MI Demo states its commitment to human rights (including to workers and community), refer to applicable legislation (Finland and EU) and uphold ILO Declaration on Fundamental Principles and Rights at Work as part of FSC and PEFC requirements. The commitments to human/worker rights and principles apply to all of its suppliers that are also FSC and PEFC certified. Metsä Group implements employment agreements that are a result from collectively negotiated contracts that are agreed on between worker’s and employer’s associations.</p> <p>In general for Finland, it is assessed that any breaches of applicable workers laws or ILO’s fundamental principles are temporary and effectively controlled by the relevant authorities. It should be noted that the MI Demo plant is not currently sourcing from areas where indigenous people are located.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers.**</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>The MI Demo plant is a result of innovation and science. The university research to find new</p>

	<p>solvents begun already in the 2000s. Metsä Group started to finance and follow the research in 2008-09. Metsä Group's own R&D around this topic started in 2013. Metsä Group's technology is using never-dried paper-grade pulp (unique globally). In this way, the efficiency in terms of raw material consumption and energy consumption is significantly better compared to using dried dissolving pulp.</p> <p>The use of ionic liquids as the solvent (Metsä Group's technology) is a versatile technology shown by the fact that paper-grade pulp can directly be used as raw material (while commercial Lyocell plants typically use dissolving pulp).</p> <p>The integration with the Metsä Fibre's bioproduct mill (direct pipeline) and reducing energy consumption by not drying the material for transport are additional benefits from the set-up of the MI Demo plant.</p> <p>Further, the bioproduct mill is free of any fossil fuels and very energy efficient (see more information here: https://www.metsafibre.com/en/about-us/Pages/Bioproduct-mill-concept.aspx).</p> <p>Initial life cycle analysis (LCA) shows that the of global warming potential of Metsä Group's Kuura textile fibre is significantly reduced (more than half) compared to Viscose and Lyocell. The news about the sustainability study can be found at www.kuura.io.</p> <p>Notably, MI Demo is not themselves currently exploring the use of alternative fibres. However, the universities involved in the R&D have shown the versatility of the ionic liquid-based technology by using as raw material, for instance, old jeans, newspaper and cardboard.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input checked="" type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>MI Demo is not currently exploring the use of alternative fibres.</p>
<p>Summary: MI Demo is working with wood fibres in a new and more energy efficient way. The concept of Metsä Group and Itochu is a kind of lyocell process, and the pulp fibres are not recycled. MI Demo is not currently exploring the use of alternative fibres.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Forest has trained staff to become “Metso experts”, which means that they are trained in finding important habitats. Forest owners that are members of the Metsä Group can use this support service and the work can result in national reserves or conservation of forests in different ways. Usually, the relevant authorities get involved and compensates the forest owner if the finding results in a nature reserve. The work also results in management plans for to conserve the species or habitat that was identified.</p> <p>This indicator is being graded as in progress as MI Demo has yet to participate in Canopy initiatives.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo has not been prompted to use its brand or purchasing influence to date.</p> <p>However, Metsä Group uses its policies and brand to promote and advocate sustainability (see for example the sustainability part of the Group’s website). Through its purchasing methods, Metsä Group inform suppliers about all requirements related to FSC CW. Suppliers have to commit as well to these in order to be an approved supplier. The FSC CW requirements covers this requirement.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Group participates in scientific research when the opportunity is given, and it is suitable for the Group. For example, Metsä Forest regularly participates in forest research projects such as reduced impact of forest machineries. MI Demo has been involved with Aalto University to conduct studies related to their product.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>This is mainly done through the certification systems (FSC and PEFC), but also through the Metso experts. Metsä Forest has trained staff to become "Metso experts", which means that they are trained in finding important habitats. Forest owners that are members of the Metsä Group can use this support service and the work can result in national reserves or conservation of forests in different ways. Usually, the relevant authorities get involved and compensates the forest owner if the finding results in a nature reserve. The work also results in management plans for to conserve the species or habitat that was identified.</p> <p>This indicator is being graded as in progress due to lack of engagement with the government and/or ENGO on programs.</p>
<p>Summary: Metsä Group is involved in different types of research projects and advocates sustainability including nature conservation through their certification commitments. Further, Metsä Forest has educated their own "habitat finders" (Metso experts) that can support forest owners and identify important areas that could be protected.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo is not yet FSC certified, but only sources material that is FSC or PEFC certified or controlled since this is the minimum level for the whole Metsä Group. MI Demo declares that they have plans to get FSC certified, but since the plant just started up and the material is currently tested, this has not been initiated. The amount of FSC certified material entering Metsä Fibre would be more than enough for MI Demo to be able to only source FSC certified raw material in the future.</p>
<p>Summary: MI Demo is not yet FSC certified, but only sources material that is FSC or PEFC certified or controlled since this is the minimum level for the whole Metsä Group. There would be sufficient amount of FSC certified raw material available from Metsä Fibre in order for the MI Demo plant to be able to only source FSC certified.</p>	

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 procedures to evaluate their suppliers' performance in reducing GHG.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Group has a goal to become fossil fuel free in transport and production by 2030. This includes all of Metsä Group which means all of MI Demo's suppliers. The impact of Metsä Group is calculating for the whole group including the private forest owners that are members of the Metsä cooperative (in practice over 100,000 forest owners). Metsä Group also informs that they guide all wood suppliers in forest management practices with many goals, including improved CO² uptake and biodiversity. They also look for solutions that would decrease the use of fossil fuels in transport of raw materials.</p> <p>The sourced raw material to MI Demo is also included in the LCA described under indicator 8.1.</p> <p>During the audit it was also raised that the Finish forests grows more than what is harvested, which results in an increasing carbon stock in the forest. This is mainly a result of the forest management practice that is implemented in the country. See more about the Metsä Group's commitment here:</p>

	https://www.metsagroup.com/en/about-us/Strategy/Pages/Metsa-Group-is-already-at-current-state-a-significant-carbon-sink.aspx
<p>11.2 MMCF producer has procedures to know whether their suppliers are sourcing from tropical peatlands and/or intact forest landscapes.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>Metsä Group knows through their wood sourcing traceability systems that no wood entering the MI Demo origins from tropical areas or intact forest landscapes. See more information about the GIS system used under point 2.1 or 4.2.</p>
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>See 11.2. Metsä Group is not sourcing wood from intact forest landscapes or tropical areas.</p>
<p>Summary: Metsä Group knows through their wood sourcing traceability systems that no wood entering the MI Demo origins from tropical areas or intact forest landscapes. The Finish forests grows more than what is harvested, which results in an increasing carbon stock in the forest.</p>	

12. Pollution Prevention	
Indicators	Findings
<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. Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>This finding is graded as not applicable, as it is no longer being audited for conformance by the CanopyStyle audit. Instead, the following company statements outline MI Demo's investments in clean dissolving pulp and viscose manufacturing technology. Note that</p>

	<p>ZDHCs viscose guidelines are not currently implemented.</p> <p>The MI Demo plant is essentially a modification of the commercial lyocell process. It is a very recent investment, taken into use in November 2020. The plant was designed and built using the best state-of-the-art solutions to protect the surrounding environment. An initial LCA shows the significant benefits of the new concept, esp. in terms of global warming potential, compared to the commercial alternatives (see 8.1). The technology used by the MI Demo plant enables the use of never-dried paper-grade pulp instead of dried dissolved pulp which results in better raw material utilisation and lower energy consumption. A novel organic solvent (i.e. an ionic liquid) is used instead of NMMO. More than 99% of this new solvent is captured after spinning and consequently reused in the process. The raw material is not dried before it enters production since is sourced through a pipeline directly from the next-door supplier (Metsä Fibre's bioproduct mill). The bioproduct mill is designed to produce many products and not only pulp. For example, tall oil, turpentine, sulphuric acid, electricity, steam, and biogas. The bioproduct mill was started up in 2017 and is thus one of the most modern pulp-producing entities in the world (an investment of about €1.2 million). This is clearly seen in its low environmental impact. Due to the surplus renewable energy generated by the bioproduct mill, also the MI Demo production is based on only renewable energy.</p>
<p>Summary: It is considered that MI Demo has invested in new and clean technology in order to produce its textile fibre. The method is a new technology, which is a kind of lyocell process.</p>	

** Indicates Critical Indicators

Appendix B: standard checklist (CanopyStyle Verification Framework – Viscose Mill Checklist)

1. Evaluation of Site: MI Demo Ldt

Primary Responsible Person: (Responsible for control system at site(s))	Niklas von Weymarn, CEO Metsä Spring Ltd and Board member of MI Demo Ldt
Auditor(s):	Rebecka McCarthy Tune
People Interviewed, Titles:	Katja Konola-Manninen, Development manager MI Demo - Finland
Brief Overview of Audit Process for this Location:	Please see Section 2.3 above for Description of Overall Audit Process.
Comments:	

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>Conformance with Indicator:</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>Description of the finding:</p> <p>All key personnel involved in this audit are well-aware of the Metsä Group’s policies and commitments. During interviews, the management staff confirmed knowledge and commitment to the policy. All people employed by any of the Metsä Group’s entities are regularly taking e-learnings (on-line trainings) regarding the group’s policies. This on-line system was demonstrated during the audit and staff confirmed how this works during interviews.</p> <p>This indicator is being graded as in progress, as the current policy does not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>
1.11 Each production site’s/mill’s managers have developed procedures to implement the Policy, when relevant.**	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met </p>

	<input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>There is only one production site, which has recently started up and is still in the testing phase. Interview with one of the plant managers showed that they are aware of the Policies. The sourcing policies are, however, implemented on a group level (Metsä Group) and the MI Demo plant can only source raw material from the pipeline set up between Metsä Fibre’s Bioproduct mill and the MI Demo plant. The group has a well implemented sourcing policy and traceability system even before the MI Demo plant was up and running.</p> <p>This indicator is being graded as in progress, as the current policy and procedures to implement it do not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>
<p>Summary: Metsä Group, including the MI Demo plant, has publicly communicated its policies and has implemented their sourcing policy and traceability system for many years. However, current policy and procedures to implement it do not specifically integrate the CanopyStyle policy elements to not source from ancient and endangered forests and other controversial sources.</p>	

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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo plant has documented all purchases and sales. This was demonstrated during the audit. It should be noted that the plant just recently started up its test production.</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>Conformance with Indicator:</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>Description of the finding:</p>

	<p>MI Demo receives reports from Metsä Fibre on how much pulp that has passed the pipeline. This report has the same purpose as delivery documentation, but MI Demo do not get any material transported by vehicles – all material is transported through the pipeline. The report is the basis of the invoice.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo is not yet certified, but have a good insight in the sourcing of its suppliers since they belong to the same group. MI Demo plans to become certified and the commitment is therefore considered in progress.</p>
<p>2.9 The production site maintains a summary of annual purchases and then sales to the MMCF producer.</p>	<p>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo is aware of this requirement but has so far not had one year of production. The plant started-up for testing in early 2021.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo has not yet started to sell the product to commercial customers, but only test batches have been produced. This commitment is therefore considered not applicable.</p>
<p>Summary: MI Demo has access to all information their suppliers have, since they belong to the same group and implements the same policies. MI Demo is not yet certified and does not receive certification claims on invoices from its only direct supplier. However, it is confirmed that only certified or controlled raw material is sourced.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>The representatives from different parts of Metsä Group (MI Demo, Metsä Fibre and Metsä Forest) showed good knowledge about relevant Finish and EU legislations, including the Finish forest legislation. This is also required for the FSC and PEFC certifications the Group is having.</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>Conformance with Indicator:</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>Description of the finding:</p> <p>MI Demo receives wood fibre that are sourced in a region that does not have any identified Ancient or Endangered Forests. Potentially, sourcing could take place outside of this region and would then have a small chance to come from Northern Finland where there are Ancient and Endangered Forests marked on the Forest Mapper. Metsä Forest avoids sourcing from any areas that could be classified as Ancient and Endangered Forests, or other areas with high conservation values or intact forest landscape. In order to avoid such areas, they use a GIS system that contain filters of such areas. It was confirmed during the audit that the areas marked in Forest Mapper were classified as restricted areas also in this GIS system. These maps are also used by any external suppliers to Metsä Forest.</p> <p>The MI Demo plant manager is aware of the sourcing policy to the extent that concerns the plant.</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>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met</p>

	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: Yes. See details under 4.5 above.
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.	Conformance with Indicator: <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 Description of the finding: Yes. See details regarding how this is verified under 4.5 above.
Summary: MI Demo sources fibres that comes from a well-developed traceability system and they have access to all relevant information through the Metsä Group. With help of modern technology (GIS) Metsä Forest, which is responsible for the sourcing at the forest level, can assure that no sourcing takes place from Ancient and Endangered Forests. This was demonstrated during the audit.	

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.	Conformance with Indicator: <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 Description of the finding: It is clear that the Metsä Group only accepts sourcing that is compliant with the Group's policy, procurement and contractual system with suppliers. Any deliveries that do not comply with the contracts can be rejected and all material must be compliant to reach at least the FSC CW requirements. If the non-conformance is found, Metsä Group as a procedure on how to handle this supplier. This results in mitigation measures for future supplies or that the sourcing from this supplier stops. All suppliers are first assessed before a cooperation starts and then a sample of suppliers are audited annually to confirm conformity. It should be noted that it would be Metsä Forest (or Metsä Fibre) that would detect and deal with this non-conformity.
Summary: Metsä Group's contracts with suppliers states the possibility to end the cooperation and get compensation for deliveries that is not in compliance with the contracts. The group has a well-implemented system (through FSC and PEFC) that results in regular audits of a sample of suppliers.	

Appendix C: RECOMMENDATIONS FOR IMPROVEMENT

Canopy's Recommendations for MI Demo for continuous improvement

May, 2021

Canopy applauds MI Demo – a joint venture between Itochu and Metsä Group - for completing its first CanopyStyle audit. The audit demonstrates MI Demo is at low risk of sourcing from Ancient and Endangered Forests and other controversial sources.

The CanopyStyle audit is a learning opportunity, and in the spirit of continuous improvement, actions can be taken over time to more thoroughly establish and implement the company's CanopyStyle commitments. Based on the review of the audit report, Canopy recommends MI Demo and any future upscaling of the mill/joint venture undertake the following:

- Develop and publish on its website a wood sourcing policy consistent with the CanopyStyle Initiative, which formalizes its commitment to not source from Ancient and Endangered Forests and other controversial sources;
- Become FSC Chain of Custody certified and develop an action plan for increasing the amount of FSC fibre used, with preference for fibre from forests certified to the FSC forest management standard (FSC 100%);
- Build on existing technological and materials innovations and, for any future expansion, adopt ambitious targets for the use of Next Generation alternative fibres – e.g. recycled cotton, cardboard and paper - in a commercially competitive way, and develop and implement internal targets and action plan to achieve this;
- With support from Canopy, support advocacy actions for the conservation of key priority forest regions;
- Continue to use and improve best in class processing technologies. Continue to work with experts in the field to implement pollution control technologies and adhere to or exceed the new ZDHC MMCF guidelines for chemical management (once available for lyocell), which give suppliers unified criteria for measuring output indicators like wastewater, sludge, air emissions and other manufacturing related parameters.

We recommend that MI Demo develop an action plan for these priority issues, so that they can be addressed before the next annual audit.

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will support MI Demo continue to implement their policy and meet the expectations of the CanopyStyle Initiative.

Once again, we congratulate you for the completion of your audit and for proactively taking steps to screen for, and ensure no use of, Ancient and Endangered Forests and other controversial sources. We look forward to working collaboratively with MI Demo to address any outstanding issues.