



2016 Sateri Sustainability Report



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About the Report

This Sustainability Report for 2016 is the first by Sateri, a global leader in the responsible and sustainable production of viscose from plantation wood and a member of the Royal Golden Eagle (RGE) group of resources-based companies.

The report states Sateri's sustainability philosophy and strategy and summarises our sustainability performance and practices in 2016.

Sateri believes it is crucial to communicate with all stakeholders and we hope this report helps to promote better understanding of our sustainability efforts and collaborations to build win-win relationships.

Reporting Period

The reporting period is Jan 1, 2016 to Dec 31, 2016 – not including Linz (Nanjing) Viscose Yarn Co., Ltd. Sateri acquired a majority stake in Linz (Nanjing) in May 2016, so its reporting period runs from June to December 2016.

The report will be published every year.

Scope of the Report

The report covers:

- Sateri's Shanghai headquarters
- Sateri's three viscose mills in China:
 - Sateri (Jiangxi) Chemical Fibre Co., Ltd. (SJX)
 - Sateri (Fujian) Fibre Co., Ltd. (SFJ)
 - Sateri (Jiujiang) Fibre Co., Ltd. (SJJ)
- Linz (Nanjing) Viscose Yarn Co., Ltd.

Reference

Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards 2016)

Source of Data and Contacts

The data and information in this report are sourced from Sateri's official documents and are disclosed according to the requirements of GRI Standards (Core option and part of Comprehensive option).

For additional information, please contact us via:

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Telephone: +86 21 3861 6835

External Assurance

Assurance has been performed by SGS. Please refer to the Assurance Statement for additional information.

Language

The report is prepared in Chinese and English. In the event of any inconsistencies, the Chinese version prevails.

The CEO's Message



Strong connections are the key to the success of sustainability and the future of our business as a global leader in viscose rayon.

Sateri's central position in the long value chain from tree plantations to fibre to fabric to fashion gives us the unique opportunity to be a leader in responsible sourcing and production as we seek to learn, engage, influence and improve.

This goes far beyond company policies or vague aspirations.

We take our responsibility very seriously when we deal with our suppliers, our customers and other important stakeholders whose actions must be aligned in a progressive way to ensure impacts are minimised and benefits are maximised for all.

Transparency and accountability are vital along the whole value chain as our customers, big brands and consumers demand to know the origins, production process and sustainability of almost everything they use.

As an industry leader, Sateri scrutinises the products and behaviour of our suppliers to verify that they meet our high standards. We encourage them to adopt best practices but do not hesitate to sanction those who will not comply or improve.

We work closely with everyone from local residents to government officials to ensure that what is good for our company is also good for the community, the country, the customer and the climate.

We seek positive and productive relationships with non-governmental organisations and other groups across a wide spectrum of interests.

As part of our efforts to improve and lead by example, we are working to strengthen ties with consumer-facing companies — including major global brands — to better understand their needs and how trends in sustainability are shaping the markets for fashion, home textiles and personal hygiene products.

Sometimes we face issues and challenges with our stakeholders. But we view and embrace these as opportunities for engagement, learning, improvement and understanding for all concerned.

Sateri believes in the benefits of viscose and in what we do as a responsible company.

In the spirit of mutual understanding and in the interests of a sustainable future, we encourage you to engage with us in a constructive and collaborative relationship.

Tey Wei Lin
Chief Executive Officer



About Sateri

Sateri is a global leader in viscose rayon. Our natural and high-quality fibre, made from trees grown on renewable plantations, can be found in comfortable textiles and skin-friendly hygiene products.

Sustainability is vital for us as a business, an industry leader and a good corporate citizen. We are committed to responsible sourcing and production, environmental protection and community development in all of our activities.

Our operations are certified to international standards, we comply with all regulations and our emissions are far below limits set by the government.

Sateri strives to go far beyond mere compliance by investing heavily in modern equipment, qualified people and employee training to meet our commitments to environmental excellence. We constantly seek to improve and to reduce our use of finite resources, our emissions and our carbon footprint.

We are also committed to being a positive force for change along the entire value chain by working with suppliers, customers, associations, NGOs, the government and other stakeholders to promote responsible sourcing, energy saving, emissions control and product stewardship.

Sateri, a member of the RGE group founded by Mr. Sukanto Tanoto, began operations in China in 2002 as the first wholly foreign-owned cellulose company.

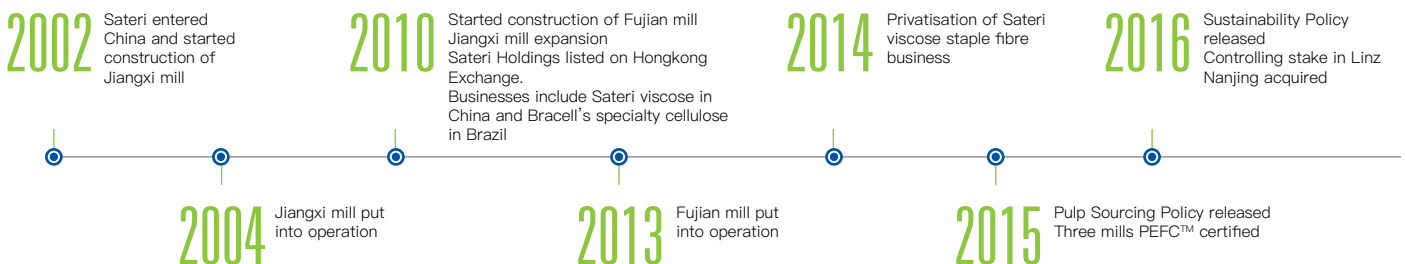
Sateri owns and operates three viscose mills and one viscose yarn mill in China. With annual production volume of more than 550,000 tonnes and 2,775 employees, Sateri is the largest viscose manufacturer in China and has expansion plans to become the biggest in the world.

The main markets for our products include China, Indonesia, Turkey, Pakistan and other Asian and European countries.

With a history of expertise from Finland, our modern mills use European technology to produce viscose from 100% dissolving wood pulp to ensure purity and quality.

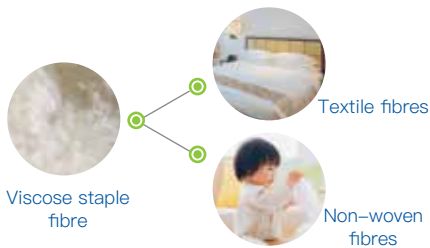

Sateri's Pulp Sourcing Policy and Sustainability Policy set out our commitment to responsible production. We encourage our suppliers to embrace our policies and adopt international standards and practices to ensure high-quality viscose is supplied to customers in the fashion, home textiles and personal hygiene sectors.

For additional information, please visit: www.sateri.com



Our Business and Operations

Business Lines and Products

Fibre	 <p>Viscose staple fibre</p> <p>Textile fibres</p> <p>Non-woven fibres</p>	<p>Apply to</p> <p>Knitted fabrics: high-end knitted underwear, dresses, T-shirts Woven fabrics: jeans, shirts, casual wear</p> <p>Home textiles: high-end towels, bedding, tablecloths, napkins and decorative fabrics</p> <p>Baby wipes, facial masks and other sanitary products</p>
Yarn	 <p>Viscose yarn</p>	<p>Produce open-end spinning, vortex spinning and ring spinning (including compact siro yarn)</p>

Production Mills

- Sateri Jiangxi**
 Put into operation in 2014
 Four production lines
 The first manufacturing base in China
- Sateri Fujian**
 Put into operation in 2013
 Four production lines
 One of the newest and best-designed viscose mills in the world



- Sateri Jiujiang**
 Acquired in 2015
 Three production lines
 Has its own port on the Yangtze River
- Linz Nanjing**
 Set up in 2007 by Austria's Linz Textil
 Acquired by Sateri in 2016 (majority shares)



Certification

All of Sateri’s viscose mills have PEFC™ (Programme for the Endorsement of Forest Certification™) Chain of Custody certification and are certified under the ISO 9001 quality management system and ISO 14001 environmental management system.

Sateri also has Swiss-based OEKO-TEX® Standard 100 certification, which confirms that our viscose is free from any harmful substances and complies with European standards.

The company holds the vice president position in the China Chemical Fibres Association.



As Sateri pursues its business objectives with research, technology and high-quality products, we never lose sight of the need to contribute to the community and society through a variety of development and cultural programs.

Awards and Recognition in The Last Five Years

- 2012**
- Jiangxi Red Cross Humanitarian Award
 - Sichuan Ya’an Earthquake Relief Award

- 2015**
- Titled as ‘National Research and Development Base of Cellulose Fibre’

- 2016**
- Outstanding Contribution in Open Economy Award
 - The Most Satisfying Service in the 12th Five-Year Period Award by Chinese Chemical Fibre Association
 - Super Soft Fibre is Recognised as ‘Comfort Fibre’
 - ‘Respecting Teacher and Education’ Award 2015–16

Sustainability Management

- Sustainability vision
- Sustainability policy
- Sustainability strategy
- Sustainability goals
- Materiality analysis
- Stakeholder engagement

A photograph of a man in profile, wearing a light blue shirt, looking out at the ocean. His right hand is raised towards the sun, which is low on the horizon, creating a bright, hazy glow. The background is a vast, calm sea under a clear sky.

1



Sustainability Vision

The RGE Group marks its 50th anniversary in 2017.

Over the past five decades, the RGE group's core values have been reflected in the responsible and sustainable use of natural resources and the commitment to improving the lives of people in our communities. These core values — Teamwork, Ownership, People, Integrity, Customer and Continuous Improvement — are entrenched in all business groups and regions where we operate.

Sateri, as a member of the RGE group, promotes these core values through beliefs and actions demonstrating sustainability is:

- An embedded philosophy that is the only way forward
- A value proposition for customers, consumers and society as a whole
- The key to collaboration and improvement in the industry for the good of all

Our vision is to be one of the largest, best-managed and most sustainable resources-based groups creating value for the Community, Country, Climate, Customer and Company.

To turn our commitments into reality, Sateri has clear policies and procedures to develop our sustainability strategy and management systems.

Sustainability Policy

The *RGE Forestry, Fibre, Pulp & Paper Sustainability Framework*¹ was published in June 2015. Under this framework, Sateri released its *Pulp Sourcing Policy* in June 2015 and its *Sustainability Policy* in February 2016. The *Pulp Sourcing Policy* was updated in March 2017 to make it even more comprehensive.

Sateri's Sustainability Policy

English <http://www.sateri.com/sustainability/sustainability-policy/>

Chinese <http://www.sateri.com/zh/sustainability/sustainability-policy/>

Sateri's Pulp Sourcing Policy

English <http://www.sateri.com/sustainability/pulp-sourcing-policy/>

Chinese <http://www.sateri.com/zh/sustainability/pulp-sourcing-policy/>

The policies stipulate requirements for conservation, pulp sourcing, responsible practices in the workplace and community engagement.

Key Milestones in Sustainability



¹RGE Forestry, Fibre, Pulp & Paper Sustainability Framework: <http://www.rgei.com/sustainability/sustainability-framework>

Sustainability Strategy

As a global leader in viscose, we provide high-quality products and services to our customers and consumers while being accountable – socially and ethically – to our employees, our neighbouring communities and people around the world.

Our sustainability strategy is based on three domains: Corporate governance, environmental performance and social impact.

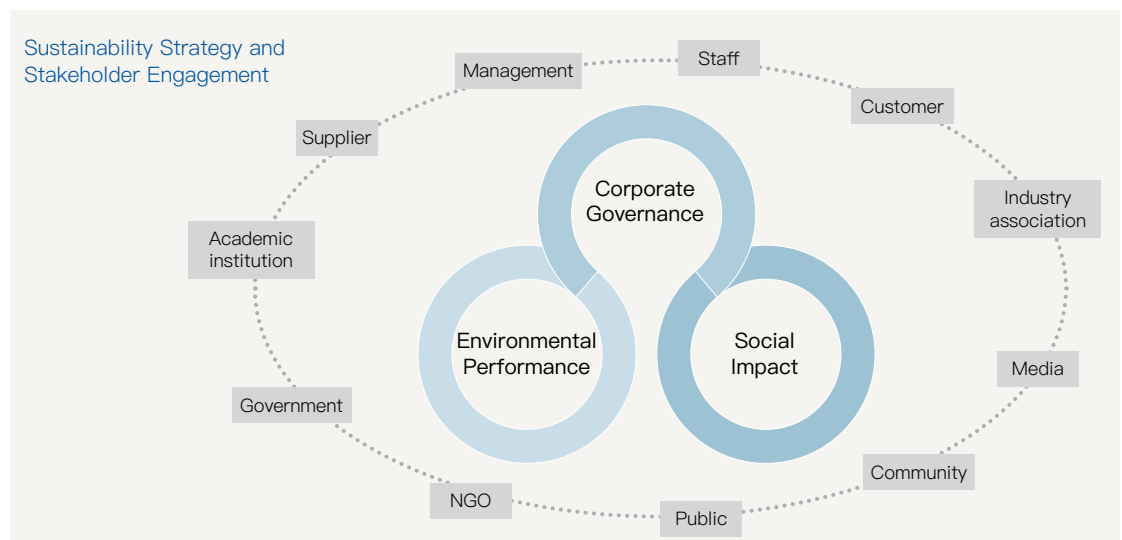
Systems, procedures and programs are developed in each domain to monitor and improve key indicators and to encourage constructive, fruitful conversations with our stakeholders.

At the department level, systems include business ethics, compliance, disclosure, environmental management and health and safety management to

identify and oversee economic, environmental and social aspects while ensuring sustainability through continuous improvement.

Stakeholders are vital to sustainability, including employees, suppliers, customers, consumers, non-governmental organisations and members of the community. Sateri has various programs of engagement in day-to-day communication, project execution, industry leadership, cooperation and innovation.

Our sustainability strategy, which guides all of our activities, is being optimised as we enhance our management systems and connections with stakeholders.



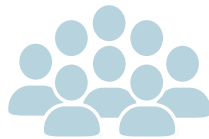
Corporate Governance

- To continuously improve transparency, Sateri implements high standards in business ethics, compliance, reporting and disclosure
- Sateri has comprehensive systems for effective communication with all stakeholders, including management, employees, suppliers, customers, governments, NGOs and the public



Environmental Performance

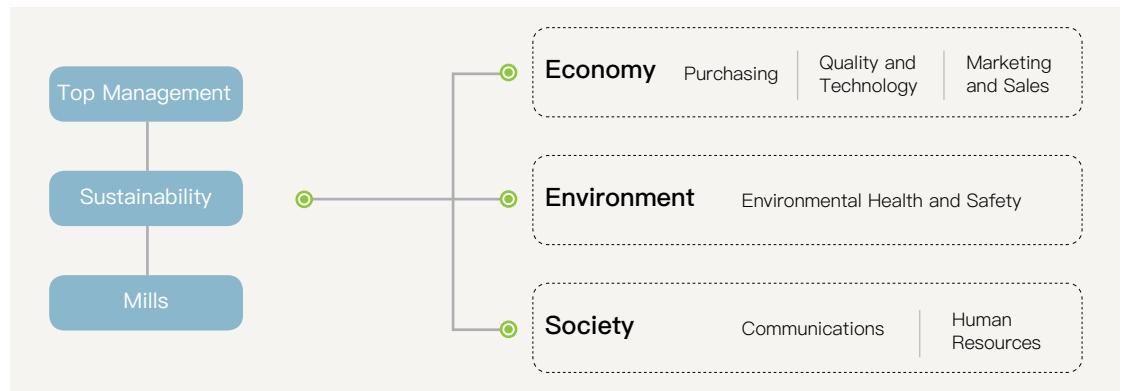
- Sateri is committed to minimising its environmental footprint from procurement, production and transport
- Sateri works with suppliers, associations, NGOs and government agencies to promote responsible sourcing, energy saving, emissions control and product stewardship
- Sateri seeks to raise the environmental standards of the industry from a life-cycle perspective to ensure safe, traceable and sustainable products for consumers



Social Impacts

- Sateri is committed to occupational health and safety, community safety and protection of labour rights
- Sateri creates value for our employees and our communities through innovation, care and development programs to align economic and social benefits
- Sateri cares for the underprivileged and initiates philanthropy and development programs for widespread positive social benefit

Organisation Structure



The sustainability team, comprised of executives and managers, is responsible for:

- Identifying and managing materiality topics and stakeholders
- Establishing and implementing the sustainability strategy, goals and action plans
- Identifying, assessing and managing the sustainability impacts — including economic, environmental and social — from operational activities
- Awareness and capacity building
- Sustainability leadership

Working closely with various departments, the team develops, implements and monitors sustainability goals and actions. Senior managers in departments report to the top management. The sustainability team also supervises the mills, reviews their sustainability performance and is involved in awareness and capacity building programs.

The sustainability team reports the progress, challenges and opportunities to the top management, who review sustainability topics, performance, improvements, disclosure and certification on a regular basis.

Pillars

Sateri focuses on three pillars to implement its sustainability strategy — Product, Place and People — and the five core components Community, Country, Climate, Customer and Company.

Product

We create sustainable and responsible supply chains through quality control, technology innovation and partnership to provide safe and environmentally friendly products to our customers and consumers.

Place

With modern technology and attentive management, the company is devoted to improving the efficiency of resources and energy use while minimising impacts on the climate.

People

We improve the sustainability awareness of all employees and encourage positive behaviour at work and at home through training and human resources programs. We are committed to serving the community for the betterment of society and the country.



5C Model

Sustainability Goals

Since 2015, Sateri has made a series of commitments to redefine our role, including:

- Promoting responsible and sustainable forest management
- Avoiding the use of the wood pulp sourced from illegally harvested or traded forests, from plantations that may cause ecological damage or obtained in violation of the rights of indigenous people and the rights of workers
- Working closely with pulp suppliers to encourage them to obtain Chain of Custody certification
- Assuming environmental responsibility for the places where we operate and investing in modern

environmental facilities, technology innovation, carbon neutral initiatives and safe production

- Investing in research and development to promote innovative applications of viscose fibres
- Engaging stakeholders to address their concerns and contribute to improving benefits for all

To fulfill the commitments, Sateri has developed eight sustainability goals for 2020 and launched a range of programs and initiatives to ensure their implementation.

2020 Sustainability Goals

Elements	2020 Sustainability Goals	Progress in 2016
Product	<p>Product stewardship and value chain</p> <ul style="list-style-type: none"> Improve user-friendliness and sustainability of products and packaging through material control and technology upgrading Obtain at least eight certifications or accreditations such as bio-based, biodegradable/compostable and skin-friendly Use Sateri's industry influence to promote improvement of traceability and sustainability of every component of the value chain 	<ul style="list-style-type: none"> Sateri's textile and non-woven products have been tested and proven to meet the Class I product limits of the OEKO-TEX® Standard 100 and are granted the certificate of Confidence in Textile and use of label Product packaging – including the wrap, strap and seals – has been upgraded for improved user-friendliness and product safety
	<p>Responsible sourcing</p> <ul style="list-style-type: none"> Encourage suppliers to obtain PEFC™ or FSC® Chain of Custody certification By 2020, ensure that 100% of purchased pulp is either certified or sourced from the controlled² wood 	<ul style="list-style-type: none"> In 2016, Sateri engaged Rainforest Alliance³ for an independent CanopyStyle⁴ audit of all viscose mills to assess compliance and traceability of sourced pulp By the end of November 2016, Sateri ceased purchasing wood pulp from forests facing controversy. In November to December 2016, 95% of purchased pulp was PEFC™ or FSC® certified or controlled. In January to December 2016, Sateri sourced 71% of PEFC™ or FSC® certified or controlled wood pulp.
Place	<p>Energy efficiency and cleaner production</p> <ul style="list-style-type: none"> Establish and implement cleaner production plans and conduct greenhouse gas (GHG) verification to improve energy efficiency and reduce GHG emissions By 2020, all viscose mills will complete cleaner production audits and completion assurance inspections By 2020, water use per unit of product will be reduced by 20% compared with 2016 	<ul style="list-style-type: none"> From April 2015 to March 2016, the Fujian mill engaged the consultancy Fujian Jiaoyang Energy Conservation and Environmental Protection Technology Co., Ltd. to conduct a cleaner production audit and passed completion assurance inspection of all activities by the local environmental authority in June 2016. The mill was rated as a Domestic Advanced Cleaner Production Enterprise in China The Jiangxi and Jiujiang mills are now planning such audits In 2016, Sateri's water consumption was 41 cubic metres per tonne of viscose staple fibre⁵
	<p>Environmental impacts</p> <ul style="list-style-type: none"> Improve the collection and treatment of wastewater and air emissions through technology upgrading and optimised management to achieve robust compliance By 2020, chemical oxygen demand (COD) discharged will be controlled within 50 mg/L at each mill Sulphur dioxide (SO₂) from the boilers will be controlled within 35 mg/m³ in all viscose mills 	<ul style="list-style-type: none"> The Jiujiang mill completed upgrading of its wastewater collection and treatment system in 2016 after its acquisition by Sateri Modern collection and treatment facilities are in place for wastewater, air emissions and waste at all mills and company-run power plants to ensure compliance In 2016, COD discharges: 78 mg/L at the Jiangxi mill, 51 mg/L at the Fujian mill and 90 mg/L at the Jiujiang mill SO₂ emissions from the boilers: 91 mg/m³ at the Jiangxi mill, 38 mg/m³ at the Fujian mill and 85 mg/m³ at the Jiujiang mill
People	<p>Occupational health and safety</p> <ul style="list-style-type: none"> Further foster a safety culture, enhance the safety awareness of employees and minimise workplace accidents By 2020, the loss-time injury frequency rate (LTIFR) per 200,000 hours worked will be reduced by 40% compared with 2016 	<ul style="list-style-type: none"> All employees at the mills have attended safety training and signed safety responsibility letters In 2016, LTIFR per 200,000 hours worked was 0.44
	<p>Transparency</p> <ul style="list-style-type: none"> Further improve transparency and strengthen long-term mechanisms (such as grievance, media release and plant programs) to ensure two-way communication with the public at corporate and mill levels Collaborate with the stakeholders along the value chain to enhance transparency of sustainability information in the industry sector Release the independently assured sustainability report every year By 2020, complete at least one independent sustainability transparency survey 	<ul style="list-style-type: none"> Open Day events were run at the mills and environmental data were made public via the media Sateri began upgrading its website in late 2016 to include a grievance and feedback mechanism and public email account Preparation of the first sustainability report also began Sateri participated in supplier questionnaire surveys and supplier inquiries from major brands and disclosed information including energy consumption, effluent management and pulp sourcing
	<p>Stakeholder partnership</p> <p>Jointly conduct at least one project relating to sustainability topics (such as forest conservation or pollution control) with NGOs, academic institutions and/or industry leaders to promote sustainability across the sector.</p>	<p>Sateri was in regular contact with Canopy, an environmental NGO, on sustainable forest management and sought to start dialogue with other organisations on sustainability.</p>
	<p>Giving back to society</p> <p>By 2020, Sateri volunteers will contribute an average of 2,150 hours per year to the community and society.</p>	<p>In 2016, Sateri contributed 1,309 volunteer hours for community development, education and poverty relief.</p>

¹ Indicates that the product is in compliance with the provisions established for infants and children; also it indicates conformity to the Appendix XVII of REACH and the Lead limitation of US Consumer Product Safety Improvement Act (CPSIA).

² Indicates that the pulp is in compliance with the PEFC™ or FSC® standards and an external verification is performed.

³ The Rainforest Alliance is a network of farmers, foresters, communities, scientists, governments, environmentalists and businesses dedicated to conserving biodiversity and ensuring sustainable livelihoods. <http://www.rainforest-alliance.org/>

⁴ The CanopyStyle campaign is an effort to transform the impacts of the fashion industry on the world's ancient and endangered forest. <http://canopyplanet.org/campaigns/canopystyle/>

⁵ According to Assessment Indicator System of Production For Viscosity Industry (HX/T 52005-2014) issued by China Chemical Fibre Association, water use per tonne of viscose staple fibre is calculated based upon a titre of 1.67dtex x 38mm.



Opportunities

Sustainable Products

We continue to explore ways to foster a quality culture and improve the sustainability of our products and packaging. By working with various stakeholders, we will influence and enhance the enforcement of regulation to ensure a constant supply of safe and environmentally friendly products to clients and consumers.

Sourcing and Suppliers

In the past few years, Sateri has been devoted to communicating with wood pulp suppliers and advising them to improve their sourcing strategies. Since the updating of our *Pulp Sourcing Policy*, we continue to scrutinise the certification and compliance status of our suppliers to ensure a fulfillment of Sateri's 2020 sustainability goals.

Transparency and Stakeholder Engagement

The mills maintain close and open communication with communities, associations and government agencies in various ways. We continue to expand the communication channels and coverage to improve efficiency and effectiveness. We also work closely with stakeholders to seek opportunities for even more collaboration on sustainability.

Wastewater and Air Emissions Management

Clean water and air are vital for human survival, the well-being of residents and workers and the development of communities. Sateri's emissions are already below current standards in China and we will focus on risk control and technology innovation to reduce them even more stringently.

Incident and Accident Management

The mills will further improve incident and accident management through awareness and training programs, supervision, audits and corrective action plans. A safety culture will be cultivated to minimise the quantity and influence of incidents and accidents.

Corporate Governance

Sateri fully understands that we must engage various stakeholders for collective efforts to promote sustainability. We will continue to improve and optimise systems including stakeholder engagement, compliance management, reporting, disclosure and coordination to achieve our 2020 sustainability goals.

Materiality Analysis

Listening to stakeholders and understanding their needs and concerns is an effective approach to manage sustainability matters.

We developed a toolkit to assess materiality of sustainability topics. The key stakeholders were determined based upon the nature of the business and results of communications with the stakeholders. These key stakeholders were weighed by their power, legitimacy and urgency (see chart below).

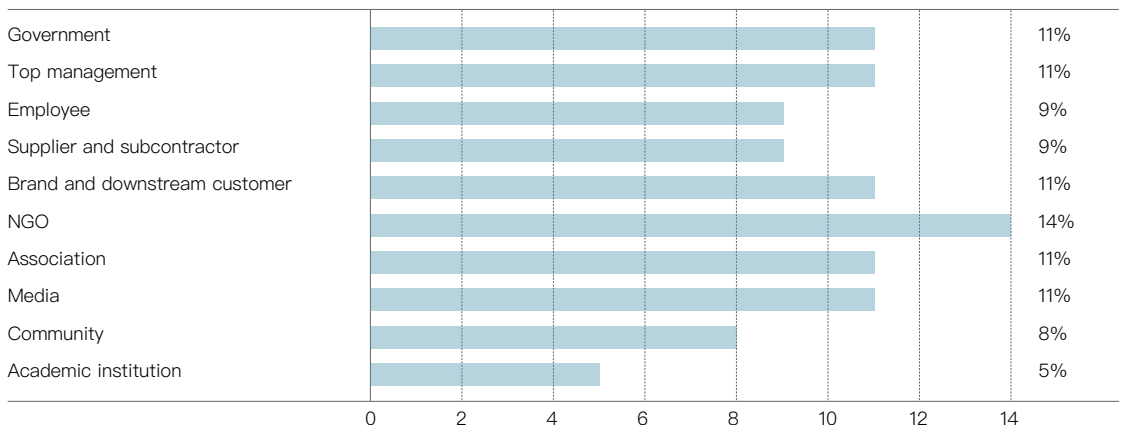
By identifying and prioritising materiality topics, we have optimised our sustainability strategy and initiatives as we structured this report.

Online Assessment by Questionnaire

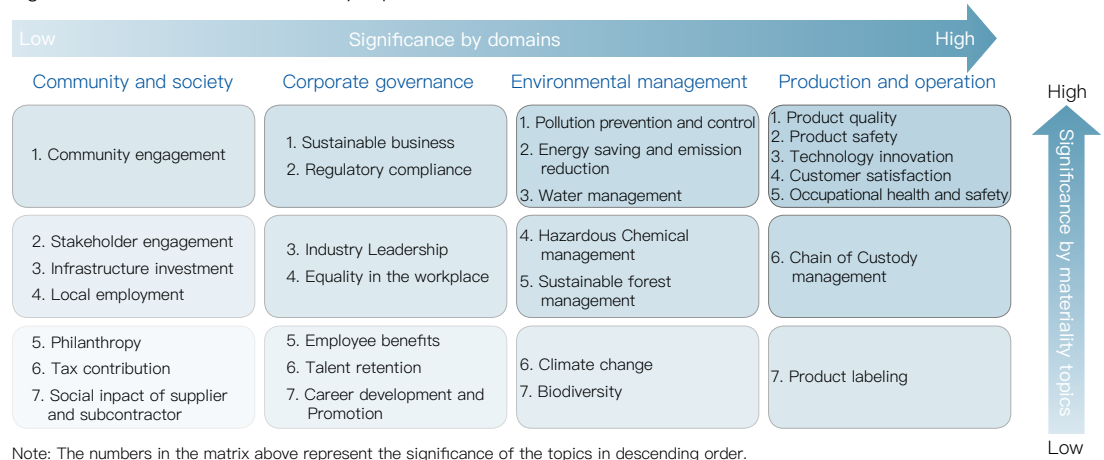
Materiality Topics

Domain	Materiality topic	Domain	Materiality topic
Environmental management	• Pollution prevention	Community and society	• Community engagement
	• Hazardous chemical management		• Philanthropy
	• Water management		• Tax contribution
	• Biodiversity		• Local employment
	• Climate change		• Social impact of suppliers and subcontractors
	• Energy saving and emission reduction		• Infrastructure investment
	• Sustainable forest management		• Stakeholder engagement
Production and operation	• Product quality	Governance	• Career development and promotion
	• Product health and safety		• Workplace equality
	• Product labeling		• Talent retention
	• Technology innovation		• Employee benefits
	• Occupational health and safety		• Industry leadership
	• Customer satisfaction		• Regulatory compliance
	• Chain of Custody management		• Sustainable business

Stakeholder by Weight



We developed an online questionnaire for 28 materiality topics. In total, 212 copies of the questionnaire were circulated, with 186 accepted as complete and effective responses. The materiality matrix below showcases the significance of these 28 materiality topics.



The medium and high significance items are considered as the key materiality topics at this stage, and embedded into sustainability goals and strategic decisions.

Stakeholder Engagement

We communicate with stakeholders in a variety of ways. Relying upon a diversified communication mechanism, Sateri understands the concerns and expectations of our stakeholders and effectively evaluates the impacts of our operational activities.

Stakeholders	Materiality Topics	Communication Channels
Management and employees	Sustainable business Industry leadership Workplace equality Local employment	Meetings, training and team activities Emails, telephone and/or social media including WeChat Strategic sourcing and campus recruitment etc.
Business Partners	Forest Chain of Custody management Occupational health and safety	Communication with strategic partners Contractor on-the-job training and worker training
Downstream customers	Customer satisfaction Quality of products Technology innovation Product safety	Customer survey Customer communications and exhibitions Technology workshops Customer and industry communications
Communities	Pollution prevention and control Community engagement Stakeholder communication Local infrastructure investment	Open Day events Public email inbox Volunteerism and community services Community events and routine communication
Governments	Pollution prevention and control Hazardous chemical management Compliance Energy conservation and emission reduction Occupational health and safety Water management	Environmental supervision and emission data disclosure Environmental and safety supervision Government supervision Cleaner production completion assurance inspection Governmental supervision and audits Water resources authorities' supervision
NGOs	Forest Chain of Custody management Sustainable forest management Pollution prevention and control Water management	Forest Chain of Custody audits Industry research reports Emission data disclosure Industry research reports
Associations	Technology innovation	Exhibitions and events organised by associations
Academic institutions	Technology innovation Industry leadership	Research programs Industry research reports
Media	Pollution prevention and control Industry leadership	Visits to the mills and emission data disclosure News release and communication and sector events

Our Customers and Business Partners

- Improving product quality
- Enhancing customer service
- Sustainable product management
- Supplier management and responsible sourcing
- Sustainable forest management
- Industry collaboration and moving forward



2



Facts and Figures

100%

Viscose Fibres OEKO-TEX® Standard 100 Certified

1

Viscose Fibre Yarn Mill Acquired To Set Up An Application Development Centre

100%

Viscose Fibre Mills ISO 9001 Certified

100%

Customer Complaint Response

95%

Of Purchased Pulp Was PEFC™ or FSC® Chain of Custody Certified Or Controlled

November to December 2016



Improving Product Quality

Quality Management System

Product quality is essential for our sustainable growth. To meet customer demands, Sateri has a robust quality management system to ensure compliance with relevant regulations in the life-cycle of the product from specification-setting and research and development to production, packaging and transportation.

Under the ISO 9001 quality management system framework, Sateri uses a range of tools to stipulate R&D and production activities. A system at each mill monitors, measures, rectifies, continuously improves and documents quality performance.

Representatives are assigned for quality control. They strive to fulfill the quality goals with systematic tools and to constantly improve client-oriented awareness. Top management has the ultimate decision-making responsibility for technology, process and product quality.

All of the fibre mills are ISO 9001 certified. Internal and external audits are performed at the mills each year to correct and track identified issues for continuous improvement.



“ Our quality is not defined by the technical specifications. Our quality is defined by how well the customers can use our products for their production ”

R&D and Innovation

In the future, consumers will expect more from our products, such as improved absorbency, breathability, shape retention, comfort and dyeability. Innovation in the physical properties of fibre and the yarning process will address these needs. Sateri is investing in innovation and will buy more advanced equipment to expand our product portfolio.

Sateri also seeks to work with retailers and brands to coordinate innovation for better customer service. In May 2016, Sateri acquired Linz (Nanjing) Viscose Yarn Co., Ltd to extend its operations downstream.

An Application Development Centre (ADC) has been established in Linz for innovative R&D through different yarning processes.

Through collaboration across the fibre manufacturing to yarning processes, differentiated products with the most potential and competitiveness are identified and developed by technology, quality and marketing professionals.

In 2016, technology innovation was applied to Best Viscose (BV Series) to optimise cellulose fibre and yarns. Key features of the BV Series include:

- High tenacity
- Good dyeability
- Good fabric appearance
- High productivity
- Low cost

R&D teams were established in the fibre mills. Working with the customer service team, they help clients to develop their own new products with the improved fibre.

Best Viscose (BV Series)

Differentiated for every yarn spinning technology
Sateri's customized **BV** viscose fibres enable our customers to achieve

Quality Excellent

- Good dyeability
- Fewer imperfections
- Good fabric appearance

Efficiency High

- High spinning speed
- Fewer yarn breaks and clear cuts

Cost Low

- Longer life time of wear and tear parts
- Reduced labour

"With Sateri BV fibres we achieved a spinning performance we never thought of being possible at all. Never would we think of using something else again."
Florian Kuntner, GM, Linz Nanjing

Tai Chi Stone Cellulose Viscose Fibre

In 2016, Sateri announced its new product "Tai Chi Stone Cellulose Viscose Fibre". Mixing modern processes with traditional Chinese beliefs, nano technology is used to solidify fine particles of tai chi stone in the fibre to improve circulation and metabolism. The fibre is attractive to fabric and clothing manufacturers specialising in healthcare products and is shortlisted in the publication Chinese Fibre Fashion Trend 2017/18.

Enhancing Customer Service

Customer service is critically important for Sateri and we are committed to building and maintaining client relationships based on mutual trust and loyalty. We strive to enhance customer value and move forward together.

Customer Service System

Our customer service team, comprised of quality and technology experts, ensures seamless connections and collaboration with our customers. There are three levels of customer service in this system:

Level 1: Customer Service throughout the Sales Process

Coordinated by the sales team, the customer service team provides pre-sale, in-sale and post-sale services with open and transparent information and attention to the customers' experience and feedback.

In general, customer feedback includes questions or concerns about product quality and expectations about improved quality. The customer service team promptly responds and decides actions, such as a telephone conversation or on-site guidance, based on the issue.

Level 2: Communication with Customers and Technology Sharing

To ensure enhanced understanding and use of our products, the customer service team regularly visits customers to provide value-added technical service, guidance and knowledge sharing to help improve product quality.

Level 3: Customer Collaboration and Win-Win

We and our customers share the desire and responsibility to design and optimise new products to address market needs.

Our products have been improved in cooperation with customers. In turn, our customers have developed new products with improved properties and stability because of our upgraded differentiated products.

New products such as Tai Chi Stone Cellulose Fibre are used by our customers to develop their own unique products.

Business Inquiries and Feedback

An inquiry and feedback system is available to the public, potential customers, brand owners and traders who do not directly work with Sateri. Our website lists the contact details of our business specialists and the public email address Sateri_feedback@sateri.com.

A grievance and feedback system has been set up to standardise the management of feedback. It is required that after an initial response, dedicated personnel are assigned to address or investigate the issues raised. For inquiries or grievances that require more steps, a time-bound action plan is developed and implemented.



Customer service throughout the sales process



Technology sharing and communication



Cooperation and win-win

“ Our relationship with customers is not only a transaction but also sharing and collaboration ”

Ben Poon / Sateri's Senior Commercial Vice President

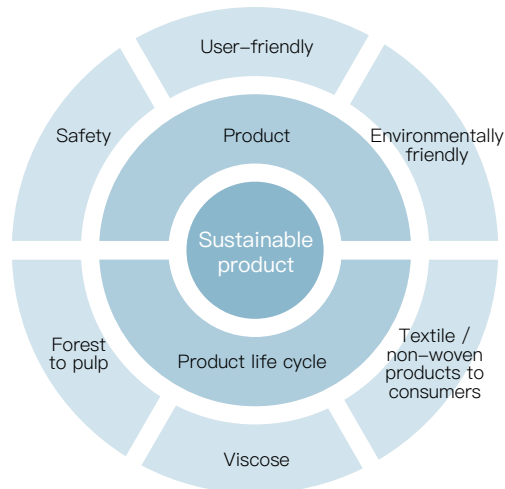
Sustainable Product Management

There are two important components in the concept of sustainable product management: The sustainability of the product and sustainability throughout the life-cycle of the product.

For sustainability of the product:

- Safety: No negative impact on the health of consumers
- User-friendly: Good user experience for consumers
- Environmentally friendly: Minimised environmental impacts after the use and disposal of the product

For sustainability throughout the life-cycle of the product: From raw materials, production, storage and transportation to the disposal or recycling, the product is made in a responsible way, resulting in less environmental impact.



Sustainable Product Management Model



Testing, Certification and Research

The applications of viscose fibre include textiles and non-woven hygiene products. With increasingly stringent regulations and rising awareness, consumers have become more concerned with the safety and environmental properties of products they use.

Safety and environmental performance are always Sateri's priority as part of our sustainable product management.

Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) testing by a third-party organisation has been passed, proving that the viscose produced by Sateri meets the REACH requirement of having the "obligation to provide safety information for use".

The Class I limits of OEKO-TEX® Standard 100 also have been met and use of its label is granted, indicating that our products meet the requirements of Appendix XVII of REACH and the Consumer Product Safety Improvement Act (CPSIA).

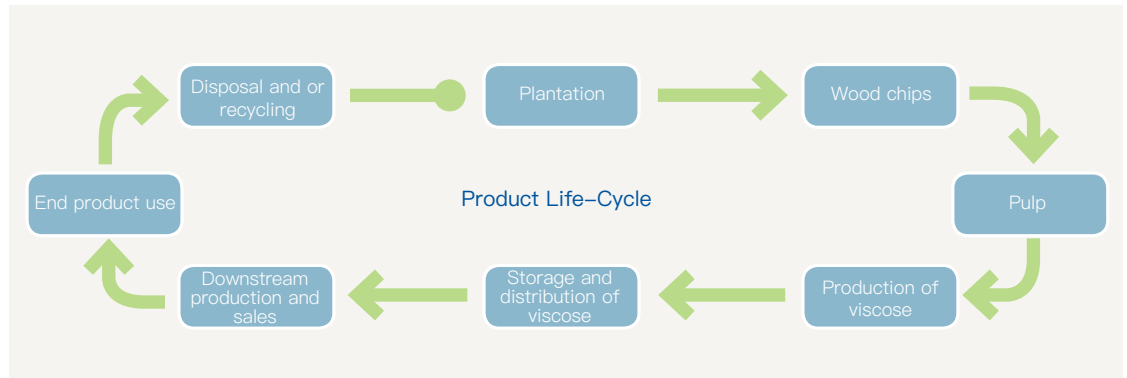
In terms of environmental properties of our products, Sateri is proactively involved in relevant studies including research, seminars and expert consultation. We are now working with third-party organisations for testing and/or certification of properties such as biodegradability.

We are also exploring opportunities to collaborate with academic and research institutions for studies as a priority task in sustainability management.

Product Life-Cycle Management

A life-cycle assessment tool is being developed and used to evaluate the sustainability of our products in the manufacturing process. Together with our stakeholders, we strive to minimise impacts on the environment and people.





Upstream: Plantation – Dissolving Wood Pulp

Plantation trees can enhance the carbon capture ability of the land to combat climate change. Unlike the resources to produce fibres such as cotton, the trees can be planted in most places on Earth, so they are not limited by region or scarce land resources. Carbon neutrality can be achieved by planting trees, unlike the huge carbon emissions caused by the crude oil used to produce polyester, nylon and other synthetic fibres.

Sateri carefully examines the biological footprint caused by the purchased pulp. By using a standardised Chain of Custody assessment tool, we evaluate the compliance, traceability and environmental risks of the dissolving wood pulp suppliers.

The review includes land use, origin of the land, certification, bleaching process, waste management and sustainability initiatives. Recommendations are given for any issues and risks identified and a purchasing decision is made accordingly.

As an industry leader, we also engage and cooperate with the wide spectrum of pulp suppliers, traders and

manufacturers to collectively promote implementation and use of forest Chain of Custody certification.

Production and Storage of Viscose

Wastewater, air emissions and solid waste are managed using advanced environmental technology to ensure compliance with all relevant regulations. Refer to the Our Environment section for details.

The Product Stewardship initiative governs the storage and transportation of fibre.

Downstream: Textile and Non-woven Products – Brands and Retailers – End Users

Sateri listens closely to customers and understands their needs and expectations for sustainability, including sustainable sourcing, responsible manufacturing and certification. It also helps to enrich our concept of sustainability management and to set the priorities for a prompt and efficient response to our customers and end consumers.

In the interests of consumers, we advise our customers and brand owners on their purchasing and manufacturing activities and collectively optimise the end products through R&D and technical services.



Product Stewardship – Packaging Upgrading Program

- To improve quality for our customers, the packaging of the product was upgraded in 2016.
- Packaging bag: Semi-translucent bags were replaced with translucent bags to improve visibility of the physical appearance of the fibre
- Packing seal: The packaging bag is closed by hot melt adhesive duo seals, instead of being sewn, to prevent the intrusion of any solid object or dust
- Packing strap: Polypropylene-based straps were replaced with polyester resin-based straps, which have higher strength and flexibility



Care for Business Partners

Forests are the largest reservoir of carbon on land, provide habitats for millions of species and deliver environmental benefits such as soil and water conservation.

As a responsible producer, Sateri contributes to sustainable forest management by implementing our pulp sourcing strategy. As one of the business groups of RGE, Sateri partners with other forest and pulp organisations to protect forests.

Supplier Management and Responsible Sourcing

Strategies

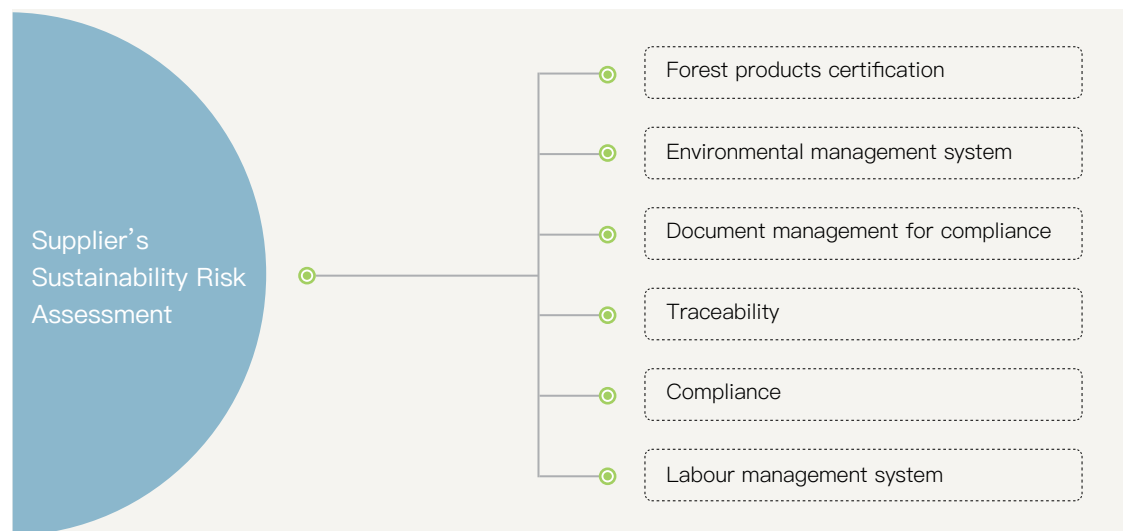
In June 2015, Sateri released its Pulp Sourcing Policy as part of its commitment to responsible sourcing of forest products to prevent the use of controversial raw materials.

The Pulp Sourcing Policy was updated in March 2017 to make it even more comprehensive by including Sateri's stated preference for FSC® fibre and recognition of the need to conserve ancient and endangered forests and to advance solutions in key landscapes.

Sateri maintains a procedure for sustainable wood pulp sourcing and supplier risk assessment, evaluating:

- forest management system
- environmental management system
- labour management system
- traceability
- compliance
- document control

Purchasing decisions are made according to the assessment results.



Practices in the Workplace

In 2016, the requirements in the Pulp Sourcing Policy were communicated to all Sateri employees and training on the sourcing procedure was given to relevant departments. An internal audit of pulp labeling, storage and traceability was conducted in all of the mills.

Sateri has communicated the policy to our 17 pulp suppliers worldwide and requested that they sign a

Letter of Declaration and Commitment and participate in the supplier risk assessment. By the end of 2016, 14 of 17 suppliers had participated in the assessment. Based on the findings, Sateri maintained business relations with the suppliers who can meet the criteria and encouraged them to make continuous improvements.

Rainforest Alliance, a third-party organisation focused on conserving biodiversity and ensuring sustainable livelihoods, conducted an audit in November 2016 of all three fibre mills based on the CanopyStyle Verification Framework and Guidelines developed by Canopy, an environmental NGO.

As part of the audit process, a series of actions — including review, corrective plans and

recommendations for improvement by suppliers — have been taken to ensure compliance with the CanopyStyle Framework.

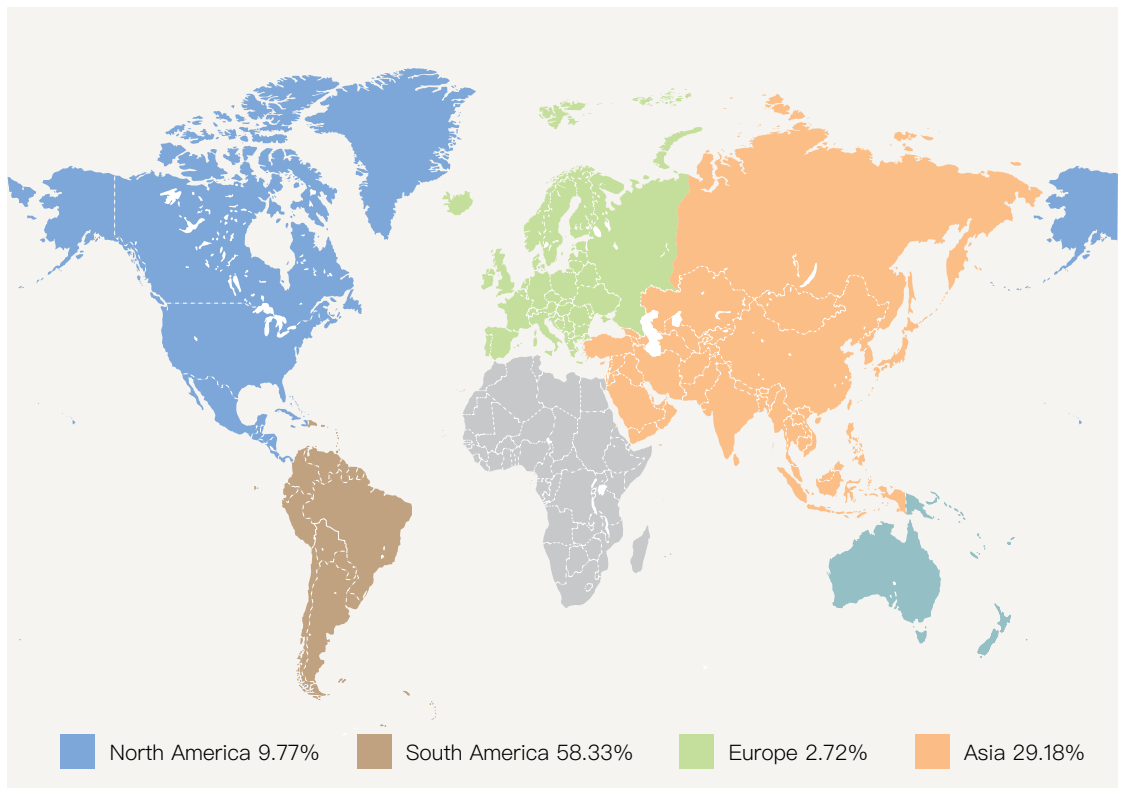
Since then, we have ended relationships with certain suppliers deemed to be high risk or non-compliant and encouraged several others to apply for certification to ensure the supply of certified wood pulp to Sateri.

Percentage of certified or controlled wood pulp in 2016¹

January to October 2016	November to December 2016	Yearly average 2016
64.2% PEFC™ or FSC® certified or controlled	95% PEFC™ or FSC® certified or controlled	71% PEFC™ or FSC® certified or controlled

¹ Based upon Sateri’s statistics after completion of the audit by Rainforest Alliance and our follow-up corrections in November to December 2016.

Wood Pulp Sourcing Map in 2016



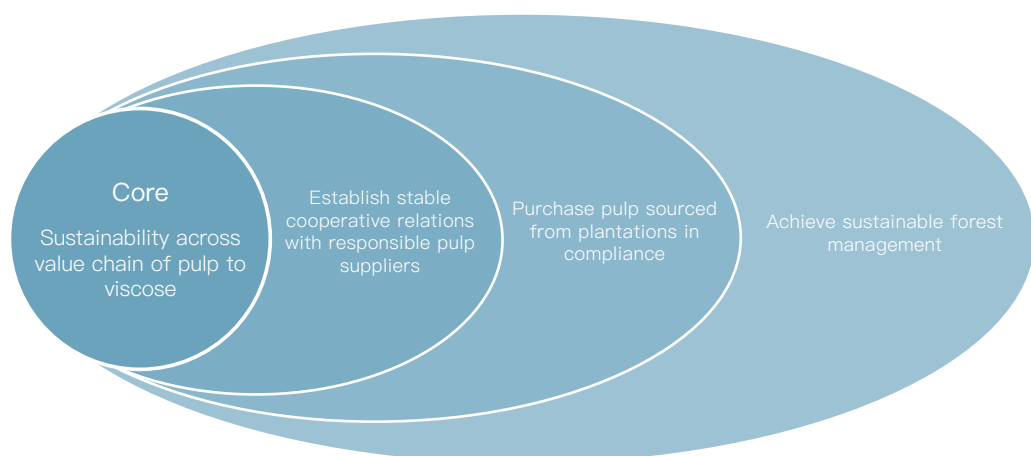


Sustainable Forest Management

Concept of Sustainable Forest Management

As a leader in the viscose sector, Sateri is devoted to engaging suppliers in fully legal and sustainable forest product trading to achieve the goal of promoting sustainable forest management throughout the upstream value chain.

All of Sateri's fibre mills have PEFC™ Chain of Custody certification. We trace the wood pulp through the Chain of Custody system and also consider how our Pulp Sourcing Policy and supplier risk assessment criteria are met to ensure responsible sourcing.



Model of Sustainable Forest Management

Bracell: Long-Term and Stable Dissolving Wood Pulp Supplier

Bracell, an RGE business group in Brazil, specialises in management of eucalyptus plantations and the production of dissolving wood pulp and specialty pulp. It is the biggest supplier of dissolving wood pulp to Sateri.

Bracell, the world's third-largest dissolving wood pulp producer, owns about 150,000 hectares of land in Brazil — 84,000 hectares for eucalyptus plantations and 61,000 hectares for the restoration and

preservation of native vegetation.

Its operations are certified according to ISO 9001 and ISO 14001 standards and have forest management and Chain of Custody certification from PEFC™.

Bracell shares Sateri's commitment to be a sustainable producer, protect the environment, respect human rights and develop local communities.

56%

In 2016, the share of Bracell pulp in Sateri's total purchases

100%

Since March 2016, all pulp sourced from Bracell certified

Bracell's High Conservation Value Forests Program

According to the Red List of endangered species from the International Union for Conservation of Nature (IUCN), Bracell has had a program to identify and evaluate local species since 2014. The company has pinpointed and monitored 737 species — 349 of flowering plants, 87 of reptiles and amphibians, 269 of birds and 32 of mammals. Of this total, 107 are endemic species and 41 are threatened with extinction. Through this method, High Conservation Value forests are identified for further soil conservation and protection of endangered species.

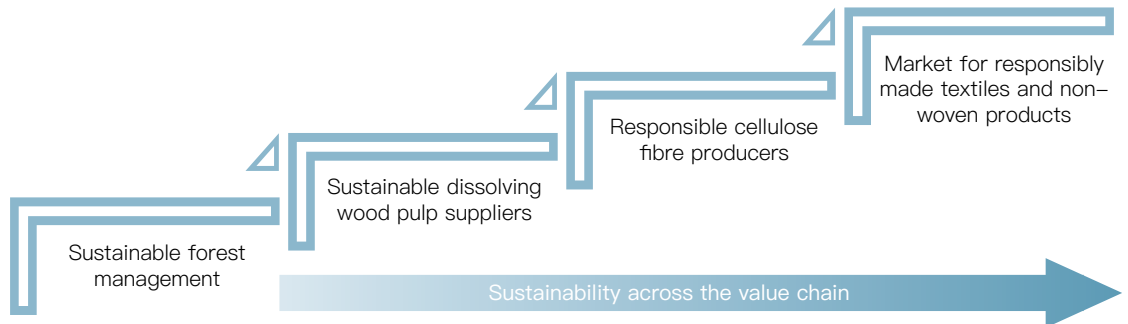
Source: Bracell's 2016 Sustainability Report



Industry Collaboration and Moving Forward

The production of viscose fibre is resources based. To address environmental issues, Sateri is working with the entire industry to practise and achieve sustainability throughout the value chain, especially in forest management, biodiversity protection and responsible forest product sourcing.

In 2016, Sateri launched a top-down transformation of pulp sourcing by setting sustainability as the benchmark and is promoting reforms in the textiles and non-woven sectors around responsible sourcing to achieve a sustainable future for the entire forest industry.



China's Sustainable Forest Initiative

At the 2016 China International Pulp Summit in Shanghai, the China Forest Certification Committee (CFCC) and nine companies, including Sateri, committed to:

- Obeying laws and regulations
- Developing responsible pulp sourcing policies
- Preferring certified wood when sourcing
- Applying CFCC/PEFC™ forest management and Chain of Custody certifications
- Encouraging suppliers and traders to obtain certification



China Cellulose Fibre (Viscose) Industry Forum

On May 26–27, 2016, the 10th China Cellulose Fibre (Viscose) Industry Forum was held in Hangzhou with more than 3,000 delegates. The forum has exerted a profound influence on the cellulose fibre industry in the Chinese market.

A Sateri executive delivered a keynote speech “Value Remodeling of Viscose Staple Fibre” that called for the whole industry to consider and implement responsible sourcing in the best interests of consumers so they understand the uniquely sustainable features of viscose and achieve a reshaping of the industry.

Our Environment

- Management system
- Compliance
- Improving energy efficiency
- Minimising environmental impacts
- Responsible care and sharing



Facts and Figures

124 ^{RMB} million
(US\$18.4 million)

2016 Investment in Environmental Protection

25

Full-time Environmental Health And Safety Professionals

3

On-site Wastewater Treatment Plants

100%

Compliance With Chinese Regulations For Wastewater And Air Emissions In 2016

0

Chemical Spills Or Environmental Pollution Incidents / Accidents In 2016

Environmental Management

Sateri is committed to environmental excellence as a responsible producer of viscose. We strive to go far beyond mere compliance by investing heavily in modern equipment, qualified people and training of employees while constantly seeking to reduce our use of finite resources, our emissions and our carbon footprint.

Sateri's three mills in China are certified under the ISO 9001 quality management system and the ISO 14001 environmental management system. We comply with all laws and regulations, our emissions are far below industry standards set by the government and our effluent levels are constantly monitored by our teams and the environmental authorities. Internal and external audits ensure that we live up to our high standards

and identify ways to improve.

To emphasise our commitment to our employees, we link their performance appraisals to environmental excellence.

We work with a broad range of stakeholders to promote energy saving, emissions control and product stewardship. We also engage with neighbouring communities so people can better understand our operations and environmental systems.

Investing, monitoring, preventing and improving are all part of Sateri's efforts to lead the way in safeguarding our workers, our communities and the environment.

Management System Framework

To achieve and maintain Sateri's excellent environmental performance, we have a stringent environmental management system. All three mills have ISO 14001 environmental management system certification.

Internal and external audits are required as part of the system. Each year, a third-party organisation conducts an ISO 14001 audit and a time-bound action plan is set out to address any issues and risks identified in purchasing, production, storage, transportation and contractor management.

required by the system. A complete employee training program covers regulatory compliance, effluent discharge and monitoring, water pollution prevention, waste management, chemical management, energy and energy efficiency and noise control.

The process revealed that employee awareness and behaviours are greatly improved, helping to manage environmental risks.

We adopt environmental risk management as an effective and important precautionary approach. We minimise environmental risks by identifying, assessing and managing risk factors such as chemical spills and their potential impacts on the environment.

To ensure our high standards are met, it is crucial to enhance employee awareness and the abilities of managers as

Environmental Management System



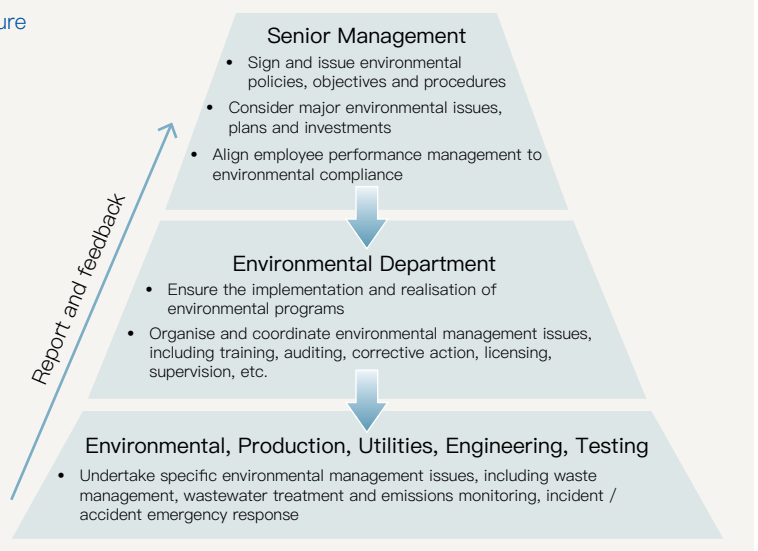


Organisation Structure

Sateri uses a closed-loop approach for environmental management, execution and feedback.

Each mill has an environmental, health and safety (EHS) management committee comprised of management, EHS department and representatives of other relevant departments. It hosts regular meetings to review matters such as discharges, monitoring and internal audits.

Environmental Management Structure



Compliance

Compliance is the bedrock of sustainability management. Sateri observes all laws, regulations and industry standards that govern its international operations.

Sateri strictly follows the principles of compliance, pollution prevention, energy conservation, emissions control and continuous improvement, integrating them into our daily activities.

Organisation, Compliance Culture and Training

A compliance culture is promoted from the top of the RGE group through the entire supply chain to Sateri's mills. Training is given to employees to raise their awareness and sense of responsibility. The training topics include:

- EHS laws and regulations
- Compliance, including document control, record control, non-compliance management, prevention and correction and continuous improvement
- Standard operating procedures
- Internal control

Sateri also communicates our policies, procedures, approaches, expectations and requirements to employees in various ways, such as meetings with managers.

Surveillance, Internal Audit and Rectification

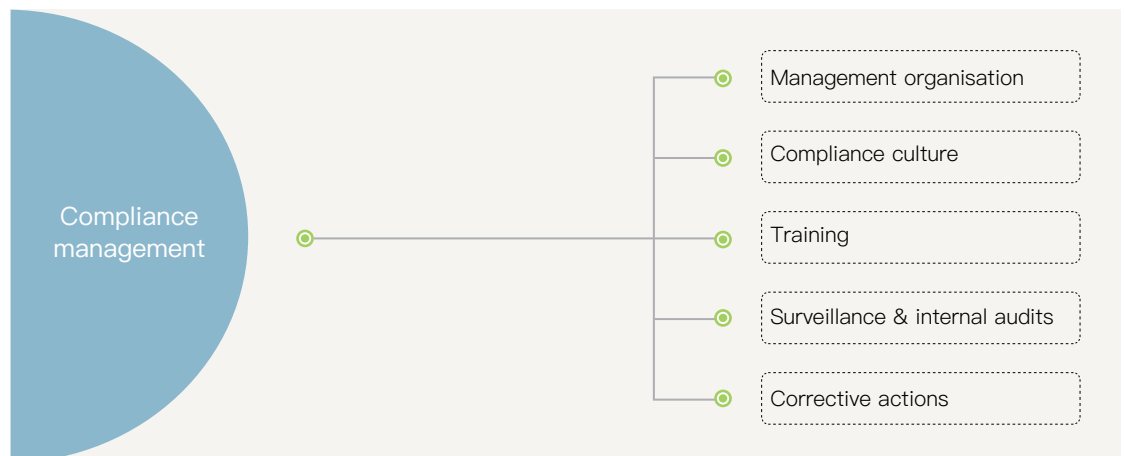
Supervision and management ensure the full implementation of the compliance policy, including:

- Prior approval
- On-site supervision
- Post review and assessment

An internal team conducts audits for quality and environmental, health and safety management systems to identify areas for improvement.

Besides our own compliance, Sateri helps our business partners to improve their compliance performance.

A review is required before we engage contractors to evaluate their compliance with our procedures. For vetted contractors, we share knowledge to help them improve their compliance management systems so that we build long-term and sustainable relationships.



Environmental Operations

Improving Energy Efficiency

Energy Consumption

Coal is the main energy source to generate electricity in Sateri-run power plants for viscose production. Surplus power is supplied to the state grids. At Linz Nanjing, purchased electricity supports its operations. The consumption of coal accounts for 99.2% of the total purchased energy resources.

Energy Consumption In 2016 (Including Linz)

Type of Energy		Consumption (terajoule)	2016 Source Breakdown of Energy Consumption (Purchased Energy)	
Purchased Energy	Coal	16,115	Coal	99.2%
	Diesel	16	Diesel	0.1%
	Electricity	121	Electricity	0.7%
Self-generated Electricity	Electricity (net)	2,217		

* Electricity generated onsite is also supplied to the state grids besides its consumption in the mills. The data above are the net electricity consumption by Sateri.

The consumption of purchased energy per product was 800 kg of coal equivalent per tonne of viscose staple fibre² in 2016, which is below the Class I limit of *Assessment Indicator System of Production For Viscosity Industry (HX/T 752005-2004)*, the most stringent limit representing an internationally leading cleaner production level.

Energy Consumption Per Product In 2016 (excluding Linz)

Energy Consumption	Energy Consumption Per Product	Industry Standard Limit*
16,078 terajoule or 548,962 tonnes of coal equivalent	800 kg of coal equivalent per tonne of viscose staple fibre	Class I limit (<= 1,000 kgce/t)

* Energy used by Linz is not included in calculating energy consumption per product.

Cleaner Production

Sateri is committed to energy saving, carbon reduction and cleaner production. In the transition from end-of-pipe treatment to process control, a cleaner production approach can greatly improve sustainability.

From 2015 to 2016, the consultancy Fujian Jiaoyang Energy Conservation and Environmental Protection Technology Company was commissioned to conduct a cleaner production audit at the Fujian mill to improve process designs, equipment, management systems, energy and resource efficiency and to minimise pollutants.

Thirteen low- or no-cost corrective actions and seven medium- or high-cost corrective actions were recommended, covering six major aspects including substitution of raw materials and energy, equipment

repair and maintenance, optimisation of process controls, waste recycling, production management and employee awareness and behaviour.

The seven medium- or high-cost corrective actions recommended were:

- Treatment and purification of air emissions from the drying process in the spinning section
- Providing shield covers for the wastewater treatment plant for odour control
- Noise abatement in the acid station and the carbon disulfide recovery section
- Replacement of fans in the wastewater treatment plant
- Improving carbon disulfide recovery
- Enhancing steam use in the drying process
- Renovation of the waste tow room

² According to Assessment Indicator System of Production For Viscosity Industry (HX/T 52005-2014), energy, raw materials, water resources and pollutants per tonne of viscose staple fibre are all calculated based upon a titre of 1.67dtex x 38 mm. This applies to the whole document.

The Fujian mill invested more than 35 million RMB (US\$5.21 million) to address all of the actions above. After completion of the projects, the estimated reduction of material and energy consumption has been:

	Carbon disulfide	Water	Electricity	Coal	Comprehensive energy consumption
Reduction in consumption	2,615 tonnes	330,300 tonnes	2.16 million kWh	21,100 tonnes	16,087 tonnes of coal equivalent (471 terajoules)

In June 2016, the Fujian mill passed a completion assurance inspection by the Putian Environmental Bureau, which confirmed the data above.

The Jiangxi mill commissioned a third party consultancy in 2008 for a cleaner production audit. To further improve energy efficiency and minimise its environmental footprint, the Jiangxi mill started to engage Jiujiang Noble Energy Technology Company for a second cleaner production audit in June 2017. The completion of its acceptance assurance is expected by mid-2018.

Further to a cleaner production audit by the previous owner in 2013, the Jiujiang mill started to engage the Jiujiang Zhenxun Management Consulting Company for a second cleaner production audit in early 2017. Six medium- or high-cost corrective actions and 21 low- or no-cost corrective actions were involved. By the end of June 2017, the Jiujiang mill has invested more than 12 million RMB (US\$ 1.79 million) for three out of six medium- or high-cost corrective actions and 20 out of 21 low- or no-cost corrective actions and achieved a reduction of material and energy consumption as below

	Carbon disulfide	Water	Electricity	Sodium hydroxide	Lubricant oil
Reduction in consumption	283.8 tonnes	269,000 tonnes	4.92 million kWh	1,230 tonnes	6,204 litres

Greenhouse Gas Emissions

In 2016, the Sateri Fujian (SFJ) and Sateri Jiangxi (SJX) mills engaged two consultancies – China Environmental United Certification Centre and Hangzhou Chaoteng Energy Technology Company – to conduct a verification of greenhouse gas (GHG) emissions from 2013 to 2015.

After a review of production processes, energy types and consumption, and GHG emission sources, the GHG emissions were calculated and verified using methodology specified in the *Guideline for Industrial GHG Emissions Accounting and Reporting in Other Industries (Trial)* and the *Guideline for GHG Emissions Accounting and Reporting in Power Industry (Trial)*.

Greenhouse Gas (GHG) Emissions tCO₂e

Mill	2013	2014	2015
SFJ	30,166	448,077	437,749
SJX	574,442	554,767	556,047

* The Sateri Fujian mill was put into trial operation in late 2013, so the figures above reflect the actual production conditions and status

With cleaner production and greenhouse gas emissions verification, Sateri will continue to cut energy consumption per tonne of product through technology innovation and optimised systems.



Minimising Environmental Impacts

Environmental Protection Investment

As a sustainable and responsible viscose producer, Sateri invests heavily in modern environmental systems, qualified professionals and employee training. We are committed to minimising our environmental footprint from procurement, production and transport.

When the Fujian mill was built, 786 million RMB (US\$117 million) was allocated to buy and build environmental facilities — accounting for 22.5% of the spending for its construction.

In 2016, total environmental spending was 124 million RMB (US\$18.4 million) by the three mills to upgrade wastewater treatment plants, bag houses and piping systems.

Sateri has 25 environmental, health and safety (EHS) professionals in China to ensure our plants minimise emissions, treat all effluent properly and provide a safe workplace for our employees.

We work with suppliers, associations, NGOs and government agencies to promote responsible sourcing, energy saving, emissions control and product stewardship.

Sateri also builds strong relationships with neighbouring communities by hosting Open Day events at the mills so people can better understand our operations and environmental systems.



Before 2015



After upgrading in 2015

Case Study:

In 2015, the Fujian mill invested 17.08 million RMB (US\$2.53million) on cover shields for the biochemical treatment tanks, secondary and tertiary treatment tanks and sedimentation tanks at the wastewater facilities to tackle odour issues and minimise any effects for our neighbours. After upgrading, the odour emissions generated in the wastewater facilities were collected and treated by an activated carbon and photolysis process, and a removal rate of 49.2%, 70.5% and 74.2% was achieved for carbon disulfide, hydrogen sulfide and odour respectively.

In 2016, the Fujian mill invested another 4 million RMB (US\$590,000) for the wastewater facilities to further control odour. The construction was completed in early 2017.

Water Resources

Water is an integral part of viscose production. Sateri constantly seeks to use this precious resource efficiently, recycle as much as possible and treat all wastewater with the highest standards.

We also seek to keep our water use below the industry standards.

All of the mills that use surface water have the Water Abstraction Permit as legally required. A total of 32.219 million m³ of water was withdrawn in 2016, equal to 41 m³ of water per tonne of viscose staple fibre¹ based on the *Assessment Indicator System of Production for Viscosity Industry (HX/T 52005-2014)*, representing a Class I limit (<=45 tonne/tonne) that is the internationally leading cleaner production level.

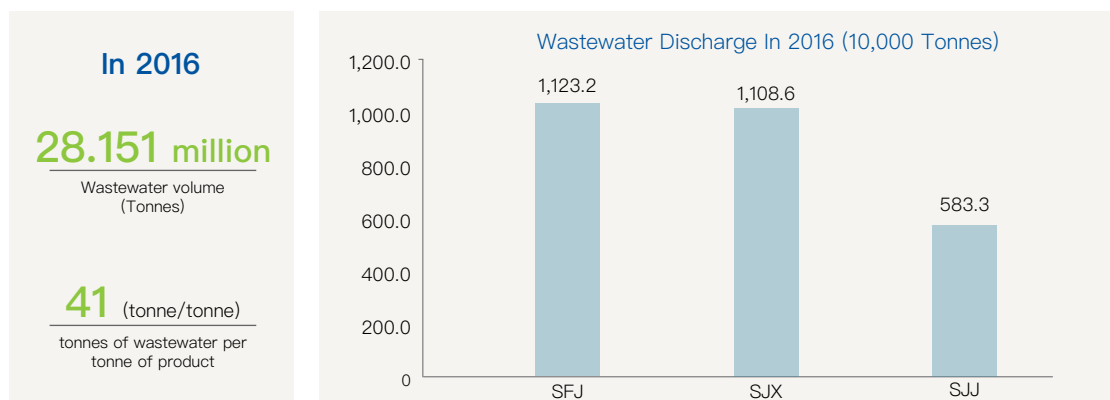
Municipal water supply of 103,000 m³ was purchased for the office, kitchen/canteen and dormitory uses in 2016.

Water conservation is one of the key components of our continuous improvements. To fulfill this goal, condensate waste is recycled and water leakage is reduced.

¹According to Norm of Water Intake – Part 25: Viscose Fibre (GB/T 18916.25-2016), water consumption by self-run power plant is not included in calculating water use per product

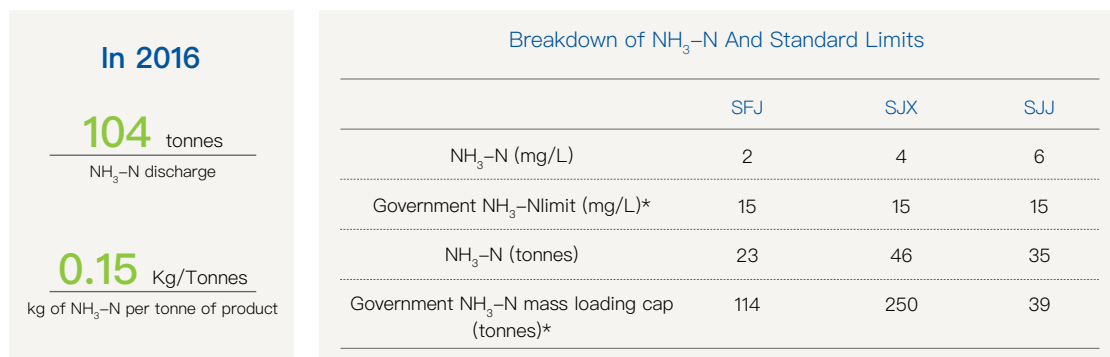
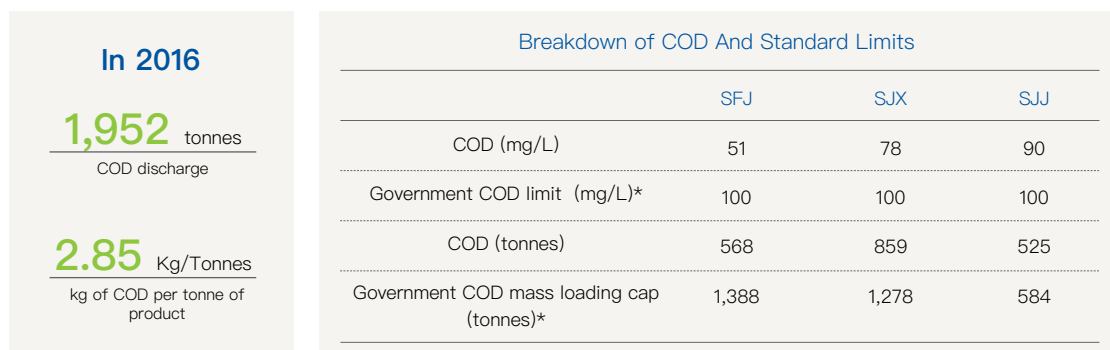
Wastewater Treatment

Each mill has a wastewater plant that uses physical and biochemical treatment, including the stages of aeration, pH neutralisation, regulation, sedimentation and recycled activated sludge treatment according to the CASS process.



* No process wastewater is generated or discharged at Linz.

An online monitoring device is connected to each treatment plant to track parameters including volume, pH, chemical oxygen demand (COD) and ammonia nitrogen (NH₃-N). All water pollutants discharged are in compliance with the relevant standard limits and mass loading requirements stipulated by the local environmental authorities.



* For concentration of COD and NH₃-N, Class I Limit of the Integrated Wastewater Discharge Standard (GB 8978-1996) applies.
* Mass loading requirements are specified in the Pollutant Discharge Permits issued by the local environmental authorities

Sateri's Rectification of Jiujiang Mill's Historical Wastewater Issue

In June 2015, Sateri acquired a viscose mill from the Chinese company Jiangxi Longda in the Jiujiang municipal area. After the acquisition, discharge issues dating from Jiangxi Longda's ownership were discovered.

Although responsibility for the environmental violations rested with Jiangxi Longda, Sateri treated the issues extremely seriously and took immediate steps to address them. Working closely with environmental authorities, Sateri suspended operations at the mill and took corrective action that included renovation of the wastewater piping system, construction of emergency discharge tanks and repairs to aeration devices.

Local authorities inspected the plant after the rectifications, clearing it to reopen and restart production.

At the time, Sateri said it appreciated and welcomed scrutiny from the authorities and the community to ensure that the mill's environmental systems were operating properly and that all effluent levels were below industry limits set by the government. To maintain social stability and support the local economy, Sateri integrated the plant's existing staff

into our operations and did not conduct any layoffs. Sateri's commitment to environmental protection, the community and our workers did not end with the corrective actions at the Jiujiang mill. To ensure the plant operates to the highest standards, Sateri has made a series of improvements to boost its overall environmental performance. These measures include technology upgrades, enhanced oversight by managers, compliance awareness training for employees, the hiring of new staff and the sharing of Sateri's broader expertise to strengthen procedures and systems.

Despite inheriting unfortunate and unforeseen environmental issues from Jiangxi Longda, Sateri worked transparently and diligently to fix them while further improving the Jiujiang mill to make certain they do not happen again. Until the end of 2016, Sateri has invested 48 million RMB (US\$7.2 million) to upgrade and add environmental facilities.

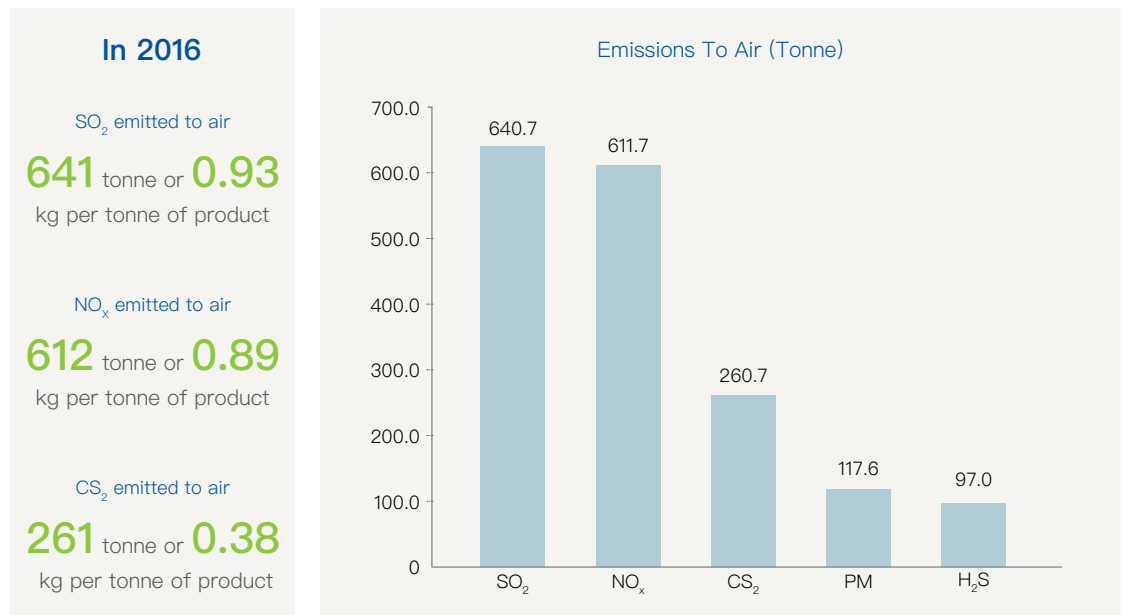
We remain diligent, we always seek to improve and we continue to welcome scrutiny by the authorities and the community to ensure we meet our commitments to protect the environment.

Air Emissions

Airborne emissions at the mills include exhaust gas from operations and boiler flue gas.

The mills are equipped with modern facilities to collect and treat air emissions, including wet sulfuric acid (WSA) technology, carbon disulfide (CS₂) incinerated in the boilers, bag house filters and advanced desulfurisation and denitrification devices.

Air emissions meet the relevant limits and online monitoring devices at the mills are connected to the local environmental bureau.



Note: No process emissions were generated at Linz Nanjing

Breakdown of SO₂ and Standard Limits

		SFJ	SJX	SJJ
Boiler emissions	SO ₂ (mg/m ³)	38	91	85
	Government SO ₂ limit(mg/m ³)*	200	200	100
	SO ₂ (tonne)	76	296	169
	Government SO ₂ mass loading cap (tonnes)*	373	771	172
Process emissions	SO ₂ (mg/m ³)	49	-	-
	Government SO ₂ limit (mg/m ³)*	550	-	-
	SO ₂ (tonne)	100	-	-
	Government SO ₂ mass loading cap (tonnes)*	376	-	-

* For boiler emissions, the Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2003) applies.

* For SO₂ emissions generated from the process at SFJ, the Integrated Emission Standard of Air Pollutants (GB 16297-1996) applies. No SO₂ emissions were generated from the process at SJX or SJJ.

*Mass loading caps are specified in the Pollutant Discharge Permits issued by the local environmental authorities.

To further minimise air emissions from the boilers, the power plants at the mills have started to introduce new technology since 2016.


In terms of odour control, the mills meet the limits of *Emission Standards For Odour Pollutants (GB14554-93)* and requirements of protective distance in their location and layout.

Still, some people may feel uncomfortable in certain circumstances due to differences in sensitivity to smell. To tackle the complex issue, additional investments have been made on further emissions recovery and upgrading the wastewater treatment plant. Open Day events were organised to invite people from the local community to visit the mills and get a better understanding of our systems.

Solid Waste Management

General waste accounts for more than 99% of the total waste generated at the viscose mills, including coal ash, cinder, fibre, packaging materials, plaster, sludge and domestic waste.

The 3Rs principle – Reduce, Recycle and Reuse – is applied in waste management to recycle the waste, incinerate it in the boilers or engage licensed contractors for safe disposal.



Incineration of Sludge

Sludge generated during filtration at the wastewater treatment plants, which is tested as non-hazardous waste, is incinerated in the boilers in the power plants. There is no likelihood of secondary pollution due to advanced devices to control particulate matter, sulphur dioxide and nitrogen oxide.

Aside from reducing environmental risks, incineration also helps to cut the costs of waste management and achieve the goal of waste minimisation.

Hazardous waste – including oil, florescent bulbs and chemical solvents – is transported and disposed of by licensed contractors. Manifests are used to trace the transfer and disposal.

In 2016

Hazardous waste

193

tonne or **0.28**

kg per tonne of product

Solid Waste (Tonne)		
Mill	General Waste	Hazardous Waste
SFJ	163,262	135
SJX	100,287	33
SJJ	49,971	25

Note: A minimal amount of waste is generated at Linz, which is not included in the table above.

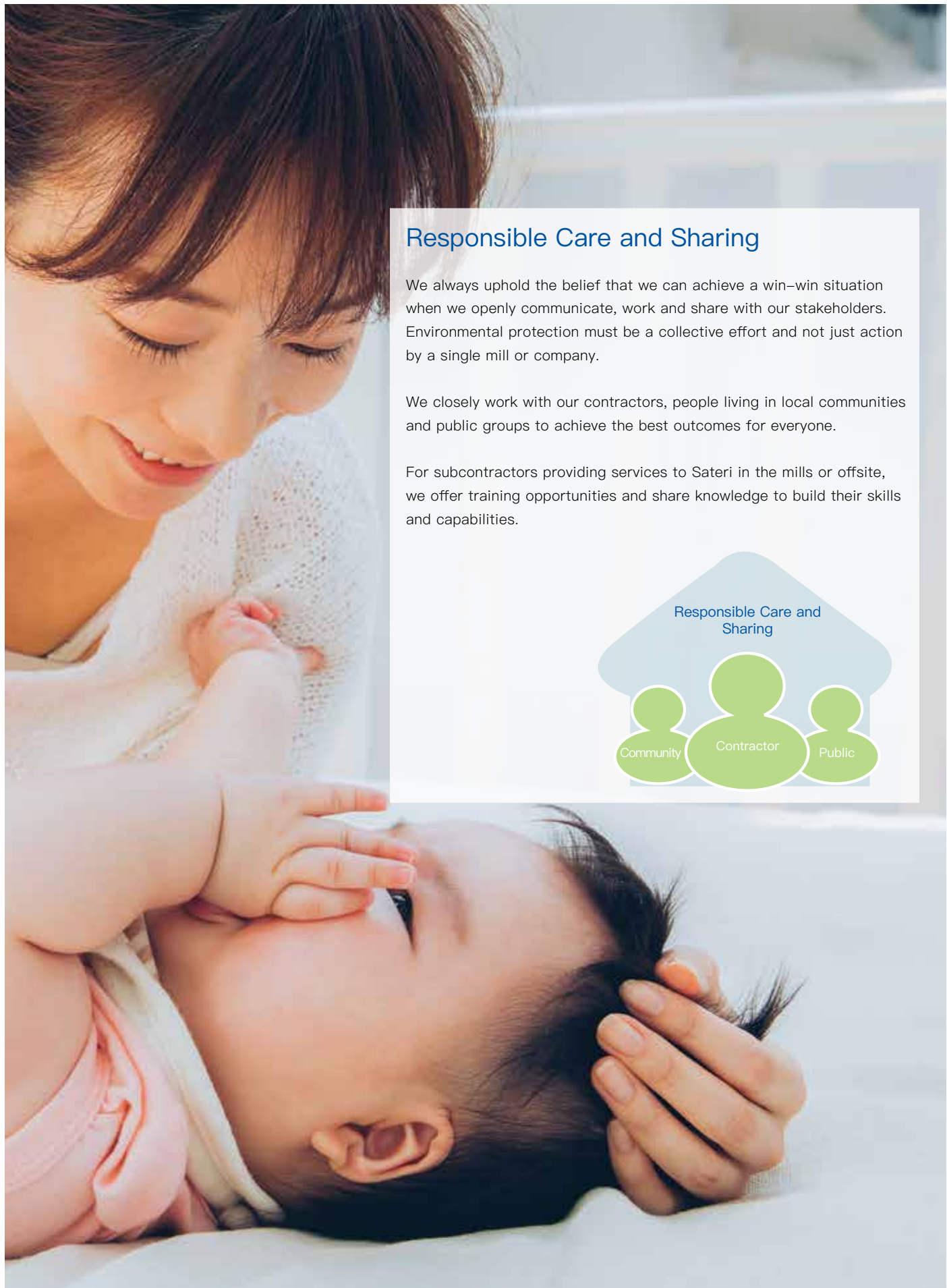
Chemical Management

In 2016

0

Chemical spills

Systems and procedures have been established for hazardous chemicals management. Multiple controls are required for chemical spills, which include secondary containment, emergency collection and storage facilities, emergency tanks and drainage channels surrounding the sites.



Responsible Care and Sharing

We always uphold the belief that we can achieve a win-win situation when we openly communicate, work and share with our stakeholders. Environmental protection must be a collective effort and not just action by a single mill or company.

We closely work with our contractors, people living in local communities and public groups to achieve the best outcomes for everyone.

For subcontractors providing services to Sateri in the mills or offsite, we offer training opportunities and share knowledge to build their skills and capabilities.





Contractor Care and Knowledge Sharing

Subcontractors are part of our day-to-day operations as key stakeholders. Their awareness and behaviour in our workplace and elsewhere are ultimately reflected in the environment where we all live.

Our EHS staff gives safety induction training and onsite instructions to subcontractors. Interventions are done when necessary.



Little Knitter – Environmental DIY Project

Sateri volunteers introduced traditional Chinese knitting and the modern viscose production process to students and motivated them to participate in daily activities for environmental protection.

With help from the volunteers, the students knitted mug cushions, bags, ornaments and headdresses.





Open Day Events

At Open Day events, residents of local communities are invited to tour our production lines and environmental facilities to better understand our commitment to sustainability, responsible production, environmental protection and community development.



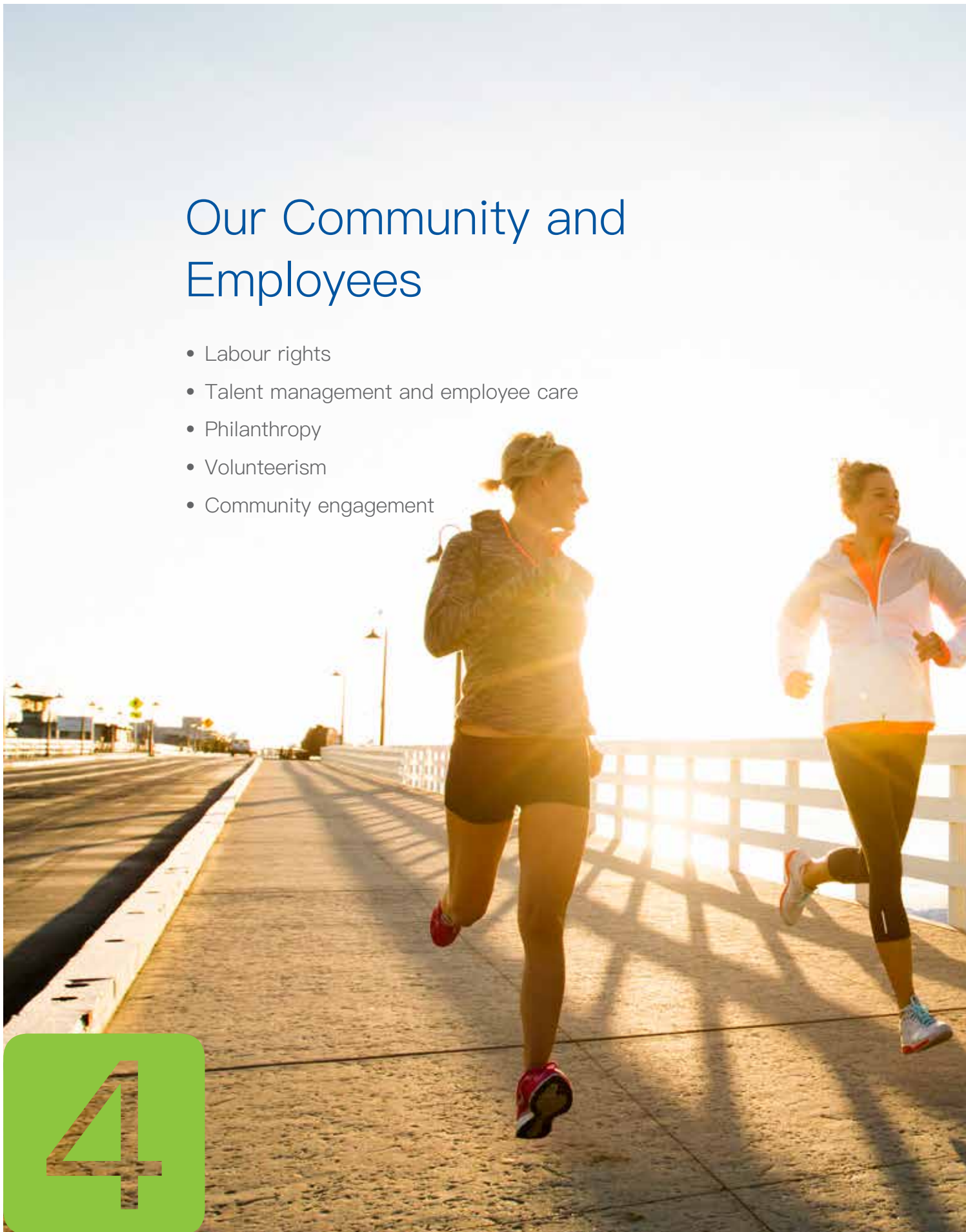
Sateri also engages directly with our neighbours with a variety of programs for communities, schools and other organisations to improve awareness of viscose production and how we manage environmental matters. We listen to their ideas and suggestions to promote the sharing of knowledge.

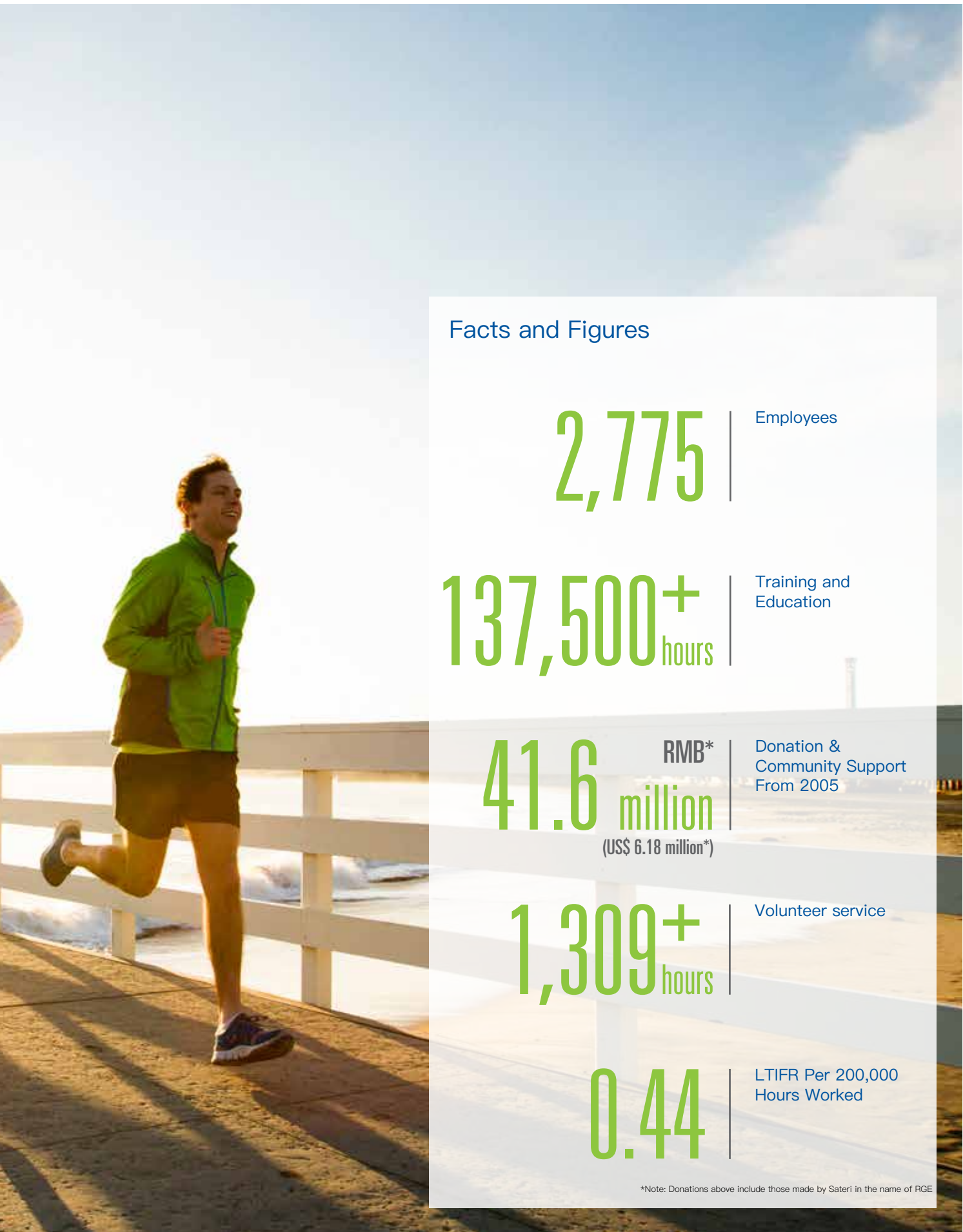
“ Sateri’s Open Day event helps our students to learn the practical knowledge of production, and also has a positive impact on Sateri as the local residents get to know their products and contribution to society. This is so meaningful! I hope that in future Sateri can continue to interact with Dongpu Middle School in such a way to improve the students’ awareness by learning from Sateri’s concept and practices ”

Liu Rui Qiong / Chairman of Labour Union, Dongpu Middle School

Our Community and Employees

- Labour rights
- Talent management and employee care
- Philanthropy
- Volunteerism
- Community engagement





Facts and Figures

2,775

Employees

137,500+
hours

Training and Education

41.6 million
RMB*
(US\$ 6.18 million*)

Donation & Community Support From 2005

1,309+
hours

Volunteer service

0.44

LTIFR Per 200,000 Hours Worked

*Note: Donations above include those made by Sateri in the name of RGE

Care for Employees

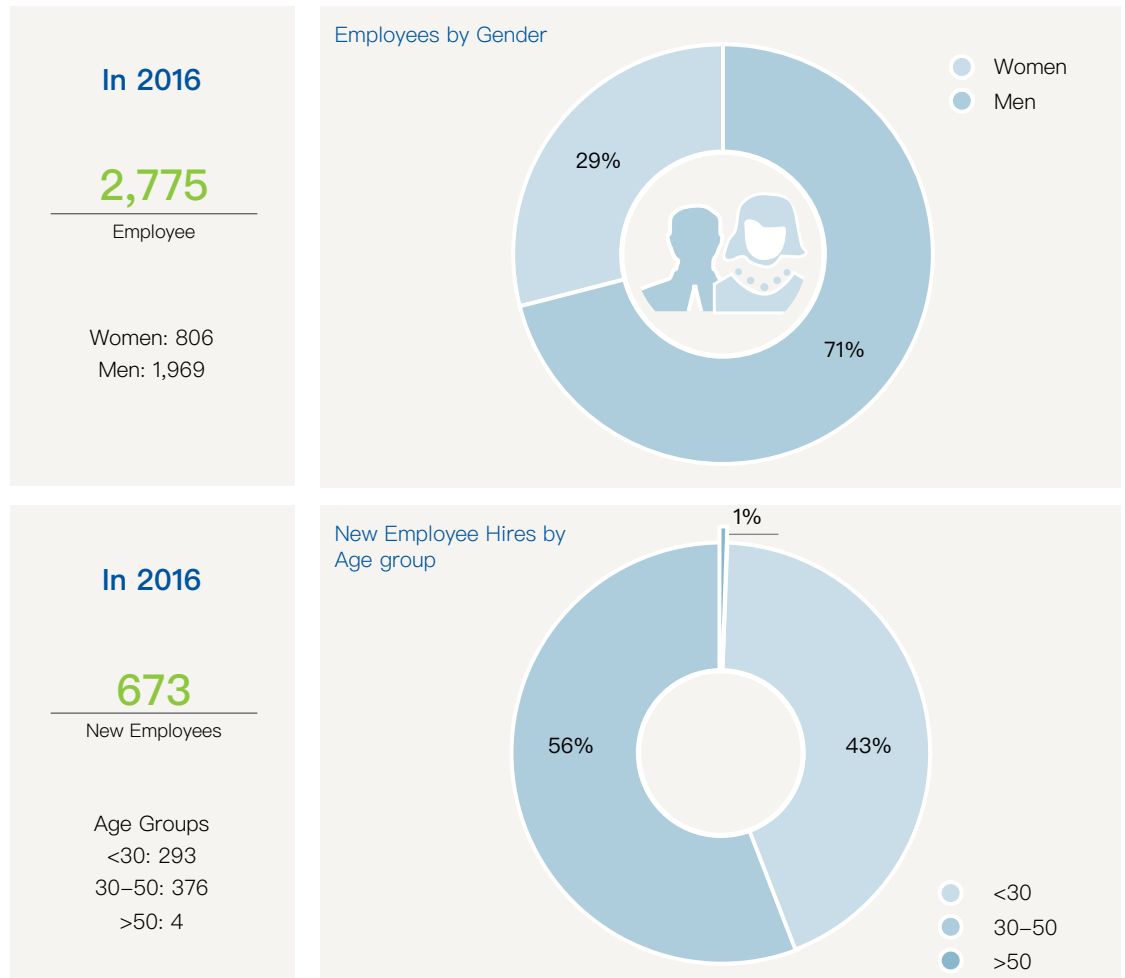


Labour Rights

Workforce

Sateri observes and adheres to all statutory labour laws and regulations. We are committed to respecting and protecting the basic rights of all employees and providing a safe workplace.

We absolutely oppose child labour or forced labour. We promote equal opportunities, diversity and inclusion in the workplace, specifying and protecting the rights of employees in our policies and employment contracts.



Basic Rights of Employees

The company pays salaries that are competitive in our sector. Employees are covered by social insurance, as required by law, and by commercial insurance paid for by the company. In 2016, the contracts that specify compensation, benefits and other rights were 100% available to and signed off by our employees.

Labour unions are in place at the Fujian and Jiangxi mills and at Linz Nanjing, with more than 90% of employees represented at these three sites.

Sateri encourages employees to join the unions and participate in the events, conferences and decision-making processes concerning worker welfare. Employees are involved in negotiation of benefits via staff and workers' representative congresses, workers' congresses and other events such as Staff Reception Day.

In 2016, the representatives of employees — who account for 5.3% of the total workforce of the Jiangxi mill — attended the staff and workers' congress for benefits negotiation and collective bargaining.

The company is dedicated to improving grievance and



Employee Communication and Grievance Tools

feedback mechanisms. Employees can connect with department managers or Human Resources managers in various ways — by telephone, emails or meetings — to communicate any issues. The company also has social media platforms and a public feedback email account to widen the communication channels.

Occupational Health and Safety

We are committed to providing a safe and healthy workplace for all employees.

The company cultivates a safety culture and constantly improves the occupational health and safety awareness of employees in a systematic way to influence their behaviour and safety performance.

The EHS committees at all sites are comprised of senior management, department managers and general staff. The committee reviews occupational health and safety related topics, including but not limited to EHS hazards and response, safety incidents, accidents, personal protection, training, awareness and emergency response.

Internal audits at the sites are done routinely to address any health and safety risks and concerns identified in the operations. The key elements of Occupational Health and Safety Management include chemical management, mechanical protection, fire protection, special equipment and operations, high-

risk operations (such as working at height), transport safety, occupational hazards monitoring and personal protective equipment.



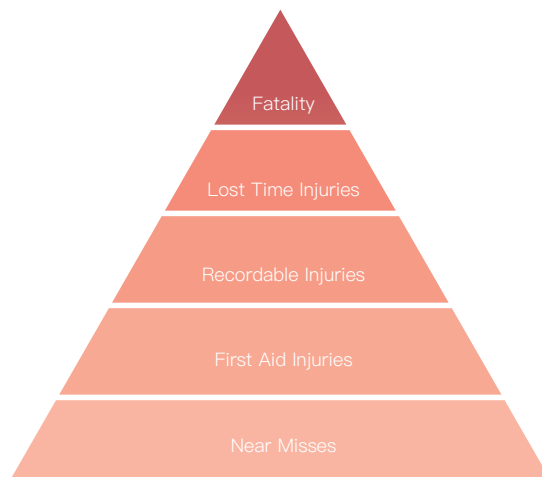
Safety Culture Model

In terms of safety management, the Safety Pyramid theory is applied to track fatalities, lost-time injuries, recordable injuries, first-aid injuries and near misses. The training, audits and interventions are used to manage any unsafe acts and unsafe conditions.

Incidents and accidents are reported and investigated at different levels of detail, according to their

category. After the completion of investigations, the lessons and case studies are shared for learning and improvement.

In 2016, the loss time injuries frequency rate (LTIFR) per 200,000 hours worked was 0.44. At the mill level, it was 0.72 (SjX), 0.07 (SFJ) and 0.86 (SjJ) respectively.



Incident / Accident Pyramid



Elements of Safety Management



Safety Pyramid Management at the Fujian Mill

Heinrich’s Safety Pyramid theory covers the overriding principle of accident management – to prevent significant accidents, start by controlling those that cause minor or no injuries.

In 2016, to reduce the incident/accident rate, the Fujian mill started to document all near-miss incidents and to conduct investigations, reviews, improvements and training. Despite a higher number of near misses compared with previous years, recordable and loss-time injuries have declined dramatically.

There were six fewer loss-time injuries in 2016 than in 2015 and the Loss-time Injury Frequency Rate (LTIFR) per 200,000 hours worked reached 0.07. This is due to improved awareness and the application of the Safety Pyramid theory in the workplace.

Unsafe acts and unsafe conditions are also included in the accident management programs for the purpose of minimising risks.

Talent Management and Employee Care

Talent Attraction Strategy

People are the most valuable assets of any organisation. Sateri firmly believes that attracting talented people and employing their strengths to the full are the keys to steady and sustainable growth.

The company implements the 'talent-oriented' strategy when recruiting people. The policies and the corresponding talent selection and development criteria are established and complied with, aligning with the strategy.

We attract talented people by means of campus recruitment, experienced hires and internal movement of employees (or job rotation). We also work with the universities to create the talent pools for the company.

Training and Development

To boost the abilities and potential of our people, Sateri recognises the value of a positive culture and strives to create career paths, rewarding challenges and a cooperative environment for all employees.

We provide resources and training to support professional and personal growth. At Sateri, every new employee participates in induction training to get to know our culture, human resources system,

environmental initiatives, occupational health and safety management and information security practices.

Depending upon the programs, skill requirements and personal development plans, our employees also have access to a variety of training courses, including:

- The Group's Core Value and Culture seminar
- Core training series (such as regulations, policies and procedures)
- Skills training series (such as courses for special operators)
- General training courses (such as time management, presentation skills and psychology)
- Human resources and finance knowledge
- International Standard Organisation (ISO) management systems training
- Management and leadership

The company also encourages employees to participate in training programs and seminars hosted by other organisations to sharpen their skills and widen their horizons.

Campus Recruitment Event

To build the talent pipeline and support our domestic and offshore operations, Sateri launched its 2017 Campus Recruitment Program in October 2016. The management team talked with students about our core values, talent strategy and operations.



Management Development Program

MDP is a course, jointly designed by Sateri’s parent company RGE and Fudan University, to broaden the horizons of middle managers through systematic training and case studies. It also provides a platform for the managers to communicate with academics, consultants and representatives from other business groups of RGE.

and offices to attend the program, which covers topics such as management, organisations, human resources, business models and megatrends. Through the training and communication, the employees have a better understanding of aligning personal values with corporate values, leadership and career development. They also apply the knowledge to their practical work.

Each year, Sateri selects candidates from the mills

Executive Development Program

The leadership course for senior managers is another important program developed by RGE and Fudan University. The course aims to develop future leaders for the RGE Group via in-depth learning and discussions of the company’s strategy in the global market.

In 2016, Sateri’s executives and senior managers participated in the program with other members of other business groups, researchers and consultants to create a blueprint for the future.



“ The three-day course is rewarding. In the training, I chatted with people from other companies and realised that our SAP system is more advanced, especially the PM module. I will digest the knowledge and share with my colleagues and apply it to my day-to-day work ”

Jin Xin / Maintenance & Repair, Fujian Mill



Women in Leadership

Women are talented and valued contributors to our company as employees. Women also account for the majority of consumers who use viscose-based products — in clothing and personal hygiene items.

Our care for women is about providing quality products to consumers and supporting our female employees to reach their full potential in the workplace.

Sateri fully understands that women have different roles in different stages of life and has sound management programs — including maternity and paternity leave — to protect their rights.

For women starting their careers or returning to work after a break, Sateri provides plenty of training opportunities and encourages them to share, learn and work with each other for enhanced self-confidence and sense of responsibility. Female staff are also encouraged to create their own development plans to push their careers forward.

By doing so, Sateri has attracted, developed and retained a large number of talented women who have excellent skills and the ability to engage. This goes far beyond improving gender equality in the workplace to creating value for the company.

“ I joined Sateri in 2002. In the past 15 years, I have moved up from the supervisor of the acid station workshop to assistant manager, then production manager and now senior manager of production. I was filled with joy as I moved up the career ladder and I also got a deeper understanding of the enterprise and life. I’m grateful to the company for offering me this platform to challenge myself and realise my potential ”

Wang Xiao Tong / Senior Manager of Production, Jiangxi Mill

Care for Employees

Work-life balance is essential for physical and mental health. To boost well-being and positive attitudes, a variety of activities and events allow our employees to enjoy teamwork and collaboration. For employees

who live far from the mills, the dormitory complexes have modern in-room facilities providing comfortable accommodation.





Care for the Community

Philanthropy

Commitment and Action

As a good corporate citizen, Sateri is committed to creating jobs, protecting the environment, developing communities and paying the correct taxes to create shared value for society.

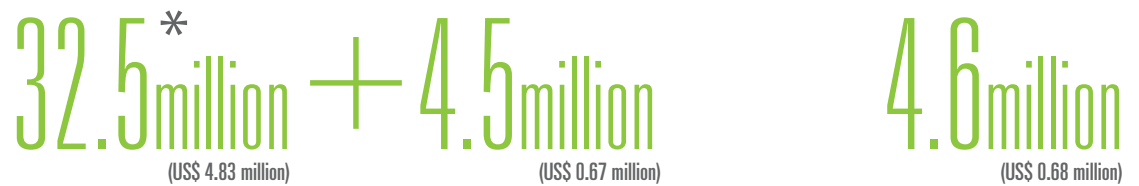
Wherever we operate, Sateri focuses on social responsibility to help people learn, thrive and grow. Our activities include providing scholarships, donating thousands of library books, helping with disaster relief, working with fire departments on safety campaigns, supporting cultural activities and conducting environmental awareness training.

We highlight some of our many community programs on our website:

English <http://www.sateri.com/sustainability/community/>

Chinese <http://www.sateri.com/zh/sustainability/community/>

Donations (RMB)



Earthquake relief and recovery 2005–2016

* Humanitarian response to earthquakes by Sateri in the name of RGE

Community support since 2006

Breakdown Of Donations By Site

2005–2016	Disaster Relief (RMB)		Community Support (RMB)
	In the name of RGE (paid by Sateri)	Sateri	Sateri
SJX and SJJ	32.5 million	1.5 million	2.0 million
SFJ	0	3.0 million	2.6 million
Sub-total	32.5 million (US\$4.83 million)	4.5 million (US\$0.67 million)	4.6 million (US\$0.68 million)
Total	37 million RMB (US\$5.5 million)		4.6 million (US\$0.68 million)

Honours and Awards

Award	Year
The Most Socially Responsible Enterprise in Jiangxi Province	2008
Excellent Charity Organisation in Jiujiang City	2011
The Red Cross Humanity Award	2011
Charity Contribution Award in Jiangxi Province	2012
The 1st Session of Top Ten Excellent Charity Contributors Award for The Enterprises in Jiangxi	2012
Philanthropy Honour in Jiangxi Province	2013
'Honour Education, Special Contribution' Award	2013
Caring Enterprise, Model of Education Aid	2016
The Most Socially Responsible Enterprise in the 12th Five-Year Period in China's Chemical Fibre Industry	2016
Model Organisation of Respecting Teachers and Education (2015–2016)	2016

“Stay True to Yourself And Appreciate Education” Events To Award Teachers

Guided by the core values promoted by RGE founder Mr. Sukanto Tanoto, Sateri believes strongly in “taking 100 years to educate people” and in supporting local education.

Before Teachers’ Day in 2016, Sateri and the Fujian government organised the “Stay True to Yourself and Appreciate Education” event to highlight the contributions of teachers.

In September 2016, Sateri managers gave awards to excellent teachers in the Bei’an Economic Development Zone.



Sateri Education Fund

Sateri provides scholarships and financial aid to students at Jiujiang Tongwen Middle School and the schools adjacent to Gutang Town to complete their studies. To date, we have contributed nearly 1 million RMB, benefitting more than 1,000 students.



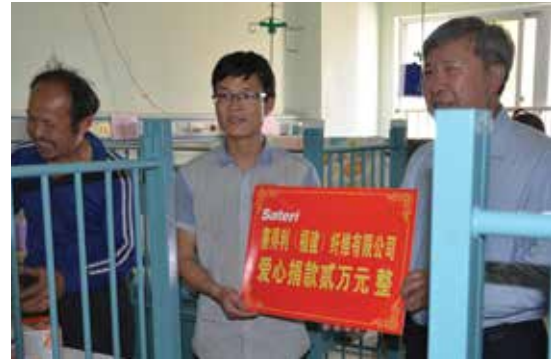
“ A good neighbour is better than a brother far away. As a local member of Dongpu Town, Sateri cares and works to contribute to the community. We all wish the child can recover soon and look forward to the good news. ”

Chen Jian Hua / General Manager of External Affairs, Fujian Mill

Support Community And Neighbourhood

As part of our community programs, Sateri helps people who are struggling to make ends meet with the philosophy that “when disaster struck, help came from all sides”.

In April 2016, Sateri managers visited a child named Zheng Zichen who was suffering from burns and provided financial aid for his medical treatment.



Volunteerism

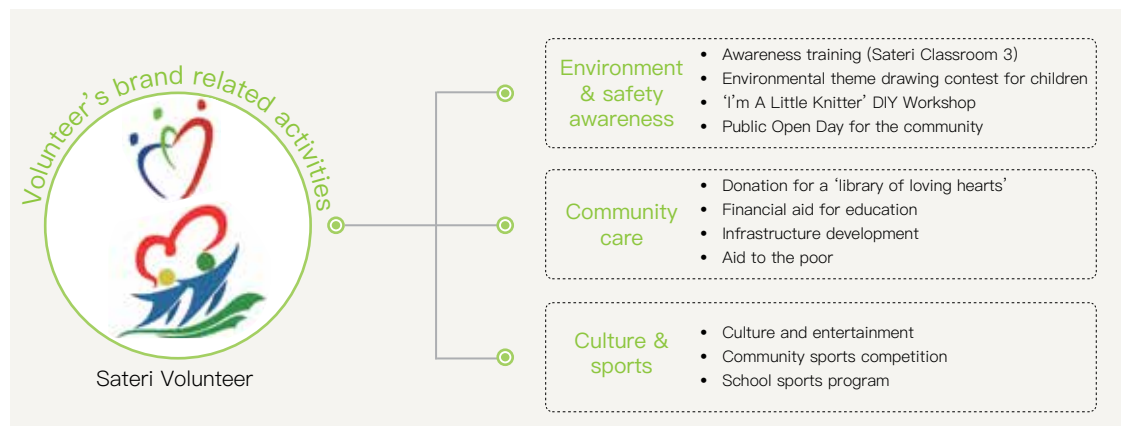
Sateri has employee volunteer associations in Fujian and Jiangxi. Over the past three years, our people have contributed a total of 4,423 hours for volunteer services.



Our volunteers are trained with support from the Chen Jinrong Culture & Education Special Fund of the Overseas Chinese Charity Foundation of China (OCCFC).

Volunteer activities are planned quarterly to support local programs, including community care, aid for education, caring for the elderly and environmental protection. These activities play a vital role in our commitment to social responsibility.

Volunteer Services





“

I have to do my homework alone every day after class as my parents are very busy. For a long time, I really hoped I could read a book together with someone but I felt it would never come true. Surprisingly, there came elder brothers and sisters, uncles and aunts from Sateri. It was amazing and fun! For the words and stories we could not understand, they read and explained to us. It would be great if every day went like this

”

Read Together At Schools

In addition to the Charity Library initiative, Sateri volunteers launched the Read Together event at schools on 2016 International Volunteer Day.

Reading Day is done regularly in schools, where the students read books with our volunteers. The students enjoy the donated books and develop the habit of reading, which brings lifelong benefits.



Supplies For Soldiers Fighting Floods

In July 2016, our volunteers brought supplies to soldiers and staff who were fighting flood waters in Jiujiang City.

The volunteers visited the soldiers alongside the Yangtze River and near Poyang Lake, and the army force in the Middle School 2, Lianxi District.



A Surprise For “Left-behind” Children

The wish list in the Xuyang Evening News from students at Jiuhuaxian School touched Sateri volunteers deeply:

- “I want my parents to get back home early”
- “I want to fly into space to read books there when I grow up”
- “My dream is becoming an artist and the gift I want is painting supplies”

Most of the students in Jiuhuaxian School are unattended children whose parents work and live far away. Just before Christmas, our volunteers played Santa to help them achieve the dreams.



Community Engagement

People from the community are our key stakeholders. We rely on their trust and support to grow sustainably. We listen to them and respond to their needs for a long-term win-win relationship to achieve economic growth, environmental conservation and the development of the community.

Sateri Classroom 3 – Safety At School

In 2016, supported by the Chen Jinrong Culture & Education Special Fund, Sateri and the Jiujiang government launched a new initiative – Sateri Classroom 3 with the theme of Safe School.

Students attended classes including safe travelling, fire protection in the school, emergency response and preventing school violence and protecting girls.



Environmental Painting Contest

Primary and secondary students took part in a painting contest with the theme of environmental protection.

The winners went on to the Painting Blue Sky by Children contest hosted by the Centre for Environmental Education and Communications of the Ministry of Environmental Protection and sponsored by the Tanoto Foundation.

The children gained knowledge via an environmental class.



Sateri Library Project

Sateri donated books to primary schools in the Bei'an Economic Development Zone and helped to establish their own libraries to benefit children from rural areas who did not have access to these resources.

Eight libraries were set up in 2016 with nearly 12,000 books available to more than 2,000 children and their teachers.



The winning paintings appear in the 2017 Green Lifestyle desk calendars





Outlook 2017

In 2017, Sateri will continue to support the development and progression of communities as we pursue constant improvement and growth of our business.

We embrace the core values of RGE and the philosophy of sustainable growth. With our resources, people and technology, we will continue to promote sustainability and deepen our efforts on the three pillars of Product, Place and People and in the five core components of Community, Country, Climate, Customer and Company.

The sustainable performance of our **products** is closely linked with the welfare of our customers and consumers. The company will endeavour to innovate, improve quality and customer services and to promote sustainable forest and Chain of Custody management. Our goal is to lead the industry to enhance the traceability, safety and environmental friendliness of the end products from a life-cycle perspective.

We are environmentally responsible in the **places** where we operate. Sateri is dedicated to ecological conservation by upgrading technology and management. With compliance as a start, we are devoted to reducing the use of non-renewable energy, improving energy efficiency and minimising emissions with optimised process control and end-of-pipe techniques to combat climate risk.

Society cannot develop or progress without **people**. We recognise the value of identifying and developing talent and seek to help our employees fulfill their goals with our strategic human resources and employee care programs. We are committed to serving our community and country and will continue to support the development of people through quality volunteer and philanthropy programs.

We have great confidence in the **future**. As a leader in cellulose viscose, we will work hand-in-hand with our stakeholders and create a better tomorrow for the industry, country and global community.



ASSURANCE STATEMENT

SGS-CSTC STANDARDS TECHNICAL SERVICES (SHANGHAI) CO., LTD'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SATERI (SHANGHAI) MANAGEMENT LIMITED FOR SATERI SUSTAINABILITY REPORT 2016

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd. (SGS) was commissioned by Sateri (Shanghai) Management Limited (hereafter as "Sateri") to conduct an independent assurance of the Sateri Sustainability Report 2016. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying table of this report with on-site verification at Shanghai Headquarters and Sateri (Fujian) Fibre Co. Ltd. and off-site verification at Sateri (Jiangxi) Chemical Fibre Co. Ltd., Sateri (Jiujiang) Fibre Co. Ltd. and Linz (Nanjing) Viscose Yarn Co. Ltd

The information in the Sateri Sustainability Report 2016 and its presentation are the responsibility of the directors and the management of Sateri. SGS has not been involved in the preparation of any of the material included in the Sateri Sustainability Report 2016.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Sateri's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the GRI STANDARDS (2016) for accuracy and reliability and guidance for Assurance Providers.

This report has been assured at a moderate level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report against the GRI STANDARDS (2016).

The assurance comprised a combination of pre-assurance research, on-site verification and interviews with relevant management levels and employees, documentation and record review.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating by about 80,000 employees in about 1,650 branches and laboratories and providing international services network. SGS affirm our independence from Sateri, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with GRI Nominated Trainer, Social Responsibility Report Assurer, ISO 26000 Lead Auditor, ISO 14001 Auditor, OHSAS 18001 Auditor, etc.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Sateri Sustainability Report 2016 verified is accurate, reliable and provides a fair and balanced representation of Sateri sustainability activities in 2016. The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders.

We believe that the organisation has chosen an appropriate level of option in accordance to all requirements in core option of GRI STANDARDS (2016), and disclosed part of indicators in comprehensive option according to the Standards.

GRI STANDARDS (2016) CONCLUSIONS

In our opinion the Sateri Sustainability Report 2016 is presented in accordance with the core option for GRI STANDARDS (2016) and fulfills all the required content and quality criteria.

Signed:

For and on behalf of SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd.



Ben Tsang
Senior Director, China and Hong Kong
Certification and Business Enhancement
5 June 2017

B-11/F, No.900, Yishan Road, Shanghai, Shanghai Municipality, China
WWW.SGSGROUP.COM.CN

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