



Sateri



BOLSTERING ACTION 

to **ACCELERATE CHANGE**

SUSTAINABILITY REPORT **2019**

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2019 SUSTAINABILITY PERFORMANCE HIGHLIGHTS

Table 1: 2019 Sustainability Performance Highlights

TOTAL OUTPUT

Amount of viscose fibre produced
(thousand tonnes VSF)

2017
623

2018
780

2019
1,067



Amount of viscose yarn produced
(thousand tonnes)

2017
6.4

2018
6.5

2019
7.7



CLEAN MANUFACTURING

Investment in environmental protection



2017 USD **26.1** million

2018 USD **22.4** million

2019 USD **25.2** million

0 Incidents of environmental non-compliance



0 Chemical Spills Incidents



Total sulphur recovery rate

Year	2017	2018	2019
Recovery rate	97.2%	97.2%	96.4%

Sulphur to air

Year	2017	2018	2019
kg/tonne VSF	6.67	6.52	8.51

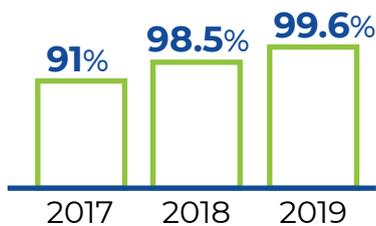
Water withdrawal intensity¹

Year	2017	2018	2019
m ³ /tonnes of product	40.5	35.9	37.8



SUSTAINABLE SOURCING OF PULP

Proportion of wood pulp from certified or controlled forest



Proportion of wood pulp suppliers assessed using environmental and social criteria per Sateri's sourcing policy

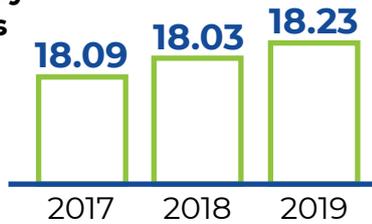


100%

¹For the calculation of water intensity, the numerator only included water used in the production process of viscose and excluded water used in power plants. The denominator - the viscose output was converted to a standard specification Dtex-1.67 based on EU BAT guideline. This change in methodology has led to restatements of past year water intensity data. Water intensity in 2016 has been restated from 52.3 m³ per tonne VSF to 37.3 m³ per tonne VSF.

CLIMATE CHANGE

Energy intensity at viscose mills
(GJ/tonne VSF)



Total GHG emission intensity (Scope 1 and Scope 2)	2017	2018	2019
<i>tCO₂e/tonne of viscose product</i>	-	3.23	3.14

FAIR LABOUR PRACTICES

Workforce size

2017	3,251 employees
2018	3,512 employees
2019	4,456 employees



Average hours of training

2017	60 Hours
2018	69 Hours
2019	108 Hours



OCCUPATIONAL HEALTH AND SAFETY

Lost-time injury frequency rate (LTIFR)

Incidents per 200,000 hours worked



Proportion of employees working in Sateri's plants receiving health and safety training

2017	100%
2018	100%
2019	100%



Proportion of employees receiving health-check coverage for occupational diseases.



2017	100%
2018	100%
2019	100%

Note: In 2019, there is an addition of Sateri (Jiangsu) Fibre Co., Ltd. (SJS) to the reporting scope. SJS started operation in April 2019. This addition impacts our overall environmental performance. Efforts are underway to bring SJS up to speed with our established mills through environmental upgrades and process optimisation.

PRESIDENT'S MESSAGE



ALLEN ZHANG
PRESIDENT

As the end of the decade approaches, 2019 has been a year of stocktaking and reflection before we embark on our next decade of sustainability action. As our business has continued to expand, so have our responsibilities to the environment, to our people and to society. Now is the right time for us to re-assess and re-determine our business and sustainability strategy to accommodate our recent growth. This Sustainability Report is our fourth report which sets out in detail our environmental, safety and social performance. It offers us a precious opportunity to reflect on what we have achieved so far, to measure our progress towards our 2020 Sustainability Goals and to gear up for the next decade of more ambitious sustainability goals.

Sustainability is deeply ingrained in our DNA. It is one of the key differentiating factors for Sateri and thus one of the most important competitive advantages for our business. It is also an invisible social license to operate, one which Sateri has worked hard on to gain support and trust from our stakeholders. We are deeply anchored to the 5-C principle of Creating Value for the Community, Country, Climate, Customer and the Company.

Sateri takes sustainability seriously. We have a Management Committee, comprising key executives, which sets strategic directions and long-term goals for Sateri, and oversees our sustainability directions, policies and performance. We are cognisant of the expectations from our employees, customers, fashion brands, community, regulators and the broader civil society, and strive towards a transparent and sustainable value chain for all.

Performance and progress in 2019

2019 marks our growth to become the largest viscose producer in the world. In April 2019, we acquired Jiangsu Xiangsheng Viscose Fibre Co., Ltd. and renamed it Sateri (Jiangsu) Fibre Co., Ltd. However, we do not only want to grow in scale, we want to grow in a responsible manner. That's why we have since invested USD75 million into upgrading the mill to ensure the newly-acquired mill's performance matches the high standard of our other mills in terms of its productivity, product quality, environmental as well as health and safety.

Since our first sustainability report published for 2016, we have made a series of commitments to define our roles in leading sustainability. We have defined a set of goals to be achieved by 2020 and launched a range of initiatives to for its implementation. 2019 is the last lap of the course before we reach the finish line for our 2020 Goals². We are pleased to report that we are on track to achieve the majority of our goals¹, including two which are achieved ahead of the time. At the same time, we also regret we are falling behind on two goals. We will accelerate our efforts to achieve them.

We continue to uphold the highest environmental standards in our production. In 2019, our waste gas and wastewater discharges were well-below the regulatory limits. We have also achieved a reduction in GHG emission intensity in our production, as a testament to our efforts to conserve energy.

We aim to achieve a closed-loop system that optimises the return of waste to production process so as to minimise environmental impact. We are a member of the ZDHC (Zero Discharge of Hazardous Chemicals) Man-Made Cellulosic Fibres (MMCF) Working Group and actively contributed to the development of environmental guidelines. This guideline is published in 2020 and serves as the industry benchmark for responsible fibre production.

The culture of Sateri is built on deep care and mutual respect for the people. We invest in our employees through training and career development programmes and ensure their health and safety at work. During the year, we have increased the average hours of training per employee by 56% to 108 hours. We provided health-check coverage for occupational diseases to all employees. 100% of employees working in Sateri's plants have received health and safety training. Our dedication to promote and create a safety culture has protected our people and led to a decrease in lost time injury frequency rate.

Gearing up for change

2019 is also a lead up to the preparation for our next set of more ambitious goals. We recognise the challenges facing the textile industry, such as rising production costs, stricter environmental standards, as well as higher customer expectations on both quality and sustainability performance. We aspire to align our manufacturing processes with industry best practices and achieve environmental performance excellence. By 2023, we aim to have all our viscose mills comply with the limits of the European Union Best Available Techniques (EU-BAT).

The COVID-19 pandemic also highlighted the strategic comparative edge gained by a resilient and sustainable supply chain. However, amidst the volatile economic outlook and constantly evolving environmental landscape, we have strong faith in innovation and technological advances in overcoming inefficiencies and creating high-performance, differentiated fibres that are necessary for the long term viability of the industry. For these reasons, we anticipate stepping up our sustainability commitments in our 2030 goals to contribute to the shared aspirations of our stakeholders. In gearing up for our 2030 goals, we conducted a Sustainable Development Goals (SDGs) mapping exercise to identify areas where we can make a positive impact and prioritise areas where we can enhance our focus to make more and better contribution towards sustainability as well as support the efforts of the government to meet their SDG commitment. The results will inform the strategic formulation of our 2030 Goals.

²For more details, please refer "Progress on 2020 Goals" on page 20-22



Complex global challenges call for a collaborative approach between multiple entities. As one of the leaders in cellulosic fibres, Sateri takes up the responsibility to raise the bar for sustainability in the industry, particularly in this region. We are in a unique position to make meaningful contributions to the sustainable development of the industry as we actively engaged with textile companies, industry associations, standard-setting institutions and NGOs both within China and globally. Sateri strives to act as an advocate and leader for progressiveness among regional viscose companies whilst bridging them with leading international standards. For example, as a founding member of the Collaboration for Sustainable Development of Viscose (CV), Sateri is a strong advocate for a robust roadmap towards greater environmental sustainability of the Chinese viscose industry. As part of continuous improvement, CV is currently planning CV Roadmap 2025 which will comprise standards for the responsible sourcing of raw materials and responsible production which aim to align with the relevant benchmark of international and local standards, including those of the European Union (EU).

Our planet has finite resources. It is time to consider shifting from a “take-make-waste” linear economic model to one that promotes closed-loops on materials to enjoy the maximum and more sustained value of resources. Given the bio-based and bio-degradable nature of our core product, Sateri has a natural comparative advantage when it comes to a circular transformation.

Sateri strongly supports the production of viscose using alternative cellulosic feedstock. We are part of the RGE group of companies that have announced a USD200 million investments in technologically advanced and innovative next-generation fibre solutions that can be deployed at industrial scale. In August 2019, we invested as a strategic partner in Finnish start-up Infinited Fibre Company to scale up its technology that turns textile waste and other pulp-based materials into new textile fibres. The firm has a small pilot plant in Espoo, Finland, and is looking to setup a larger new pre-commercial plant and a customer training centre that will be ready by early 2020. We also aspire to enhance the circularity of our production process by the continued enhancement of the closed-loop production method. The RGE group seeks to be transparent around how the USD200 million is invested, and will report on progress annually.

Moving forward

We cordially thank all our employees, business partners and civil organisations who continued to support us along our sustainability journey. Looking back over our performance in 2019, we have made headway with the strategic objectives and targets we have set. While we are pleased with our progress, we fully appreciate there is more that can be done, and will continue to create sustainable shared value. We look forward to sharing our future achievements with you.

ALLEN ZHANG

PRESIDENT

SATERI AT A GLANCE

Sateri, a member of the Royal Golden Eagle (RGE) Group, is the world's largest viscose producer. Headquartered in Shanghai, Sateri has a global market outreach covering Asia Pacific, Europe and the Americas. Sateri is strategically positioned to serve the China market, which is the world's largest and fastest-growing market for viscose fibre. As at 31 December 2019, our four mills in China have a collective production capacity of more than 1.1 million tonnes of viscose per annum. We also operate Linz (Nanjing), a yarn spinning mill. Into 2020, we will have an additional new viscose plant and a new Lyocell line, both located in China.

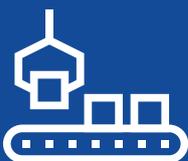
VISION



To be one of the largest, best- managed and sustainable resource-based groups, creating value for the Community, Country, Climate, Customer and Company.

For more information on Sateri, please visit: www.sateri.com

Viscose produced
in 2019



**1,066,854
tonnes**

Yarn produced
in 2019



**7,683
tonnes**



Number of
employees

4,456



Markets served for
VISCOSE

Asia Pacific - **96%**
Europe - **3%**
Others - **1%**

Markets served for
YARN

Asia Pacific - **76.76%**
Europe - **9.96%**
Others - **10.28%**

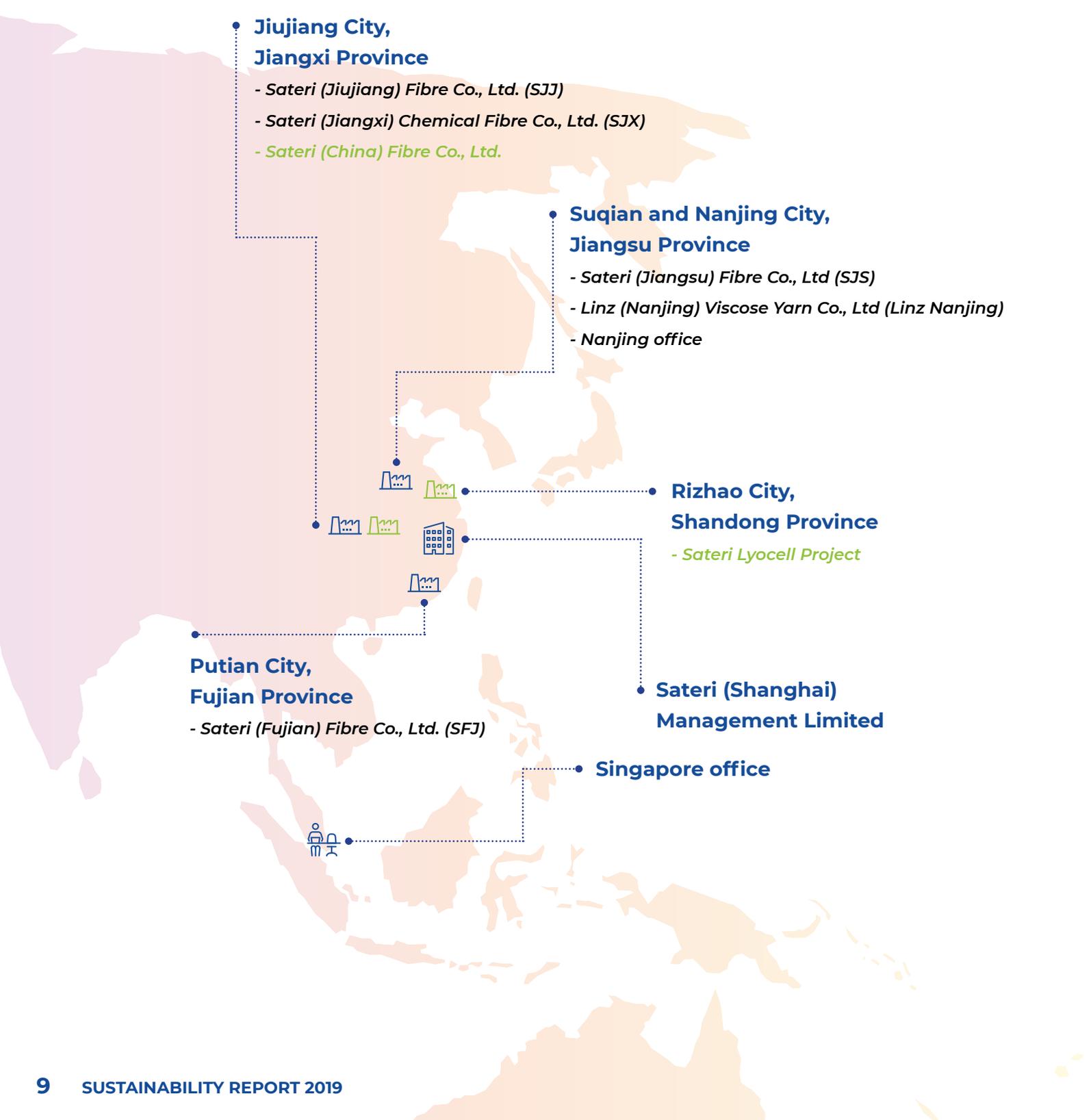
SATERI'S GLOBAL PRESENCE



Active operations in 2019:
four viscose plants + one yarn factory



New establishments in 2020:
one additional viscose plant and one new Lyocell line



ABOUT VISCOSE, A SUSTAINABLE ALTERNATIVE

Sateri's main product is viscose, a natural and sustainable raw material made from wood cellulose which is found in everyday items like textiles, baby wipes and personal hygiene products. Having acquired the technology and expertise from Finland, Sateri's modern viscose mills use dissolving wood pulp from trees from responsibly managed plantations as raw materials to produce high-quality viscose products. Fabrics made out of viscose, characterised by their breathability, comfort and absorbency, are widely used in the clothing and home textile sectors, as well as in personal hygiene products which come into direct contact with the skin, such as baby wipes, beauty masks and medical dressings.



A 100% bio-based cellulosic fibre, viscose is made from renewable sources and is biodegradable, thus making it an environmentally-friendly alternative to synthetic fibres made from petroleum, such as typical polyester and nylon. Meanwhile, data from the HIGG Materials Sustainability Index (MSI)³ by the Sustainable Apparel Coalition (SAC) shows that viscose has a lower cradle-to-gate environmental impact than other conventional plant and animal-based fabric materials such as leather, silk, cotton and wool. The HIGG MSI assesses the environmental footprint of material from the extraction or production of raw materials, through manufacturing, and eventually its assembly into a final product, and considers impacts including abiotic resource depletion, water scarcity, chemical usage, eutrophication and global warming.



³The HIGG MSI is a cradle-to-gate material scoring tool which assesses the environmental footprint of material. For more information, please visit <https://apparelcoalition.org/higg-product-tools/>.



ABOUT THE REPORT



The Sustainability Report 2019 details Sateri's sustainability philosophy, approach, strategies, and performance for the reporting period from 1 January 2019 to 31 December 2019 ("2019"), unless otherwise stated. Sateri has been publishing an annual Sustainability Report since 2016 and this is the fourth report. The annual reporting exercise allows us to take stock of our sustainability progress. It also opens opportunities for a broader dialogue with our stakeholders that leads to further cooperation and mutually beneficial development in sustainability.

This report is prepared in accordance with GRI Standards (2016): Core Option. The more recent GRI 2018 Standards are referenced where applicable. The GRI Standards have been selected as the reporting framework as it provides guiding principles on report content and quality and suggests specific performance disclosures relevant to our material ESG topics. A detailed GRI Standards Index is provided at the end of the report.

Unless otherwise stated, data is measured and calculated in accordance with internationally-recognised guidelines, and information disclosed in this report are supported by Sateri's official documents or provided by a third party, like the regulator, auditor or utility supplier.

The report is published in both English and Chinese.

Scope

Unless otherwise stated, the quantitative and qualitative information covered in this report include all operations managed by Sateri during 2019.

Four viscose plants and one yarn factory

- Sateri (Fujian) Fibre Co., Ltd. (SFJ)
- Sateri (Jiujiang) Fibre Co., Ltd. (SJJ)
- Sateri (Jiangxi) Chemical Fibre Co., Ltd. (SJX)
- Sateri (Jiangsu) Fibre Co., Ltd (SJS)⁴
- Linz (Nanjing) Viscose Yarn Co., Ltd (Linz Nanjing)

Corporate headquarters and offices:

- Sateri (Shanghai) Management Limited
- Singapore Office
- Nanjing Office

⁴SJS started operation in April 2019.

Data before April 2019 for SJS is not included in this report.

For selected material factors, the reporting scope is adjusted to only include the relevant operations for that particular factor. That include:

- For material factors, such as clean manufacturing and occupational health and safety, the reporting scope only covers Sateri's relevant manufacturing operations only, which include the four viscose plants and one yarn factory.
- Information related to sustainable sourcing of pulp is exclusive for viscose plants.
- Since the staff in Singapore and Nanjing are based out in the RGE offices in those locations, the energy consumption and associated greenhouse gas (GHG) for those offices are not included in this report.

External Verification

We continue to independently assure our sustainability report to ensure the accuracy and reliability of its contents. SGS has provided independent verification of the report with reference to internationally recognized guidelines, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability, as well as the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Provider.

Contacts

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MANAGING SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

We are committed to listening to our stakeholders. In 2019, Sateri continued to build partnerships of mutual trust and support with various stakeholder groups through open dialogue, exchanges and feedback. Their feedback have been carefully considered to ensure the continual improvement of our operational and sustainability performance. We also have a grievance protocol to provide guidance on addressing stakeholder feedback, which is detailed in the Traceability and Transparency section.



Table 2: Our key stakeholder groups

STAKEHOLDER GROUP	STAKEHOLDER REPRESENTATIVE	PRIORITY CONCERNS	ENGAGEMENT MECHANISMS
Regulator	<ul style="list-style-type: none"> • Central government • Local government regulatory authorities 	<ul style="list-style-type: none"> • Environmental and social compliance, such as pollution control and work safety • Community engagement and development • Product quality and safety 	<ul style="list-style-type: none"> • Supervised environmental and safety audits and management • Pollutant emission data disclosures • Participation in setting industry standards • Community engagement activities
Employees	Sateri's employees and management	<ul style="list-style-type: none"> • Compensation and other employee benefits • Fair labour conditions, such as the respect of human and labour rights • Training and career development • Occupational health and safety • Employee satisfaction • Organisational updates and workers' participation • Financial and sustainability performance of the company 	<ul style="list-style-type: none"> • Performance appraisals and remuneration evaluation • Team building activities and employee volunteer activities • Training and career coaching • Internal communications via emails, the intranet and social media platforms such as WeChat • Consultations for materiality assessment

STAKEHOLDER GROUP	STAKEHOLDER REPRESENTATIVE	PRIORITY CONCERNS	ENGAGEMENT MECHANISMS
Royal Golden Eagle (RGE)	<ul style="list-style-type: none"> Sateri is a member of the RGE group of companies RGE provides management services to Sateri 	<ul style="list-style-type: none"> Ensure harmonisation with Founder's 5Cs business philosophy – To be the largest, best-managed and sustainable resource-based groups, to create value for Community, Country, Climate, Customer and Company Alignment with the RGE Forestry, Fibre, Pulp & Paper Sustainability Framework 	<ul style="list-style-type: none"> Meetings with senior management members of RGE Consultations on sustainability strategies Update reports on key sustainability performance
Suppliers	<ul style="list-style-type: none"> Wood pulp suppliers such as Bracell and APRIL Suppliers for other materials such as chemicals 	<ul style="list-style-type: none"> Appropriate cost and budgeting Supplier screening criteria and other terms and conditions of purchasing policies Responsible sourcing and traceability 	<ul style="list-style-type: none"> Quotations, proposals and tenders Regular communication by email, phone and physical meetings Product exhibitions and industry seminars Visits to supply sites Supplier assessment Consultations for materiality assessment
Downstream business partners	<ul style="list-style-type: none"> Yarn and fabric companies Fashion brands 	<ul style="list-style-type: none"> Sustainable product and Innovations Responsible sourcing and traceability Product quality and safety Value chain cooperation 	<ul style="list-style-type: none"> Technical communications R&D cooperation, Customer satisfaction surveys Product exhibitions and industry seminars Consultations for materiality assessment Sustainability issues are tabled for discussion during the monthly downstream meeting with yarn producers and fashion brands
Non-profit organisations	<ul style="list-style-type: none"> Domestic environmental NGOs such as the Institute of Public & Environmental Affairs (IPE) NGOs focusing on environmental impacts of viscose such as Canopy and Changing Markets Foundation International NGOs on the textile industry, such as Textile Exchange 	<ul style="list-style-type: none"> Traceability and transparency Environmental impacts of raw material and manufacturing processes 	<ul style="list-style-type: none"> Disclosure of environmental performance data and operation data Publication of Sustainability Report Product exhibitions and industry seminars Industry consultation and corporation to advance environmental standards Rating and audits, such as Hot Button Rating and CanopyStyle audit Consultations for materiality assessment

STAKEHOLDER GROUP	STAKEHOLDER REPRESENTATIVE	PRIORITY CONCERNS	ENGAGEMENT MECHANISMS
Industry associations and multi-stakeholder organisations	<ul style="list-style-type: none"> Industry associations such as the China Chemical Fibres Association, China Cotton Textile Association, China National Textile and Apparel Council (CNTAC) Standards setting bodies such as OEKO-TEX® Multi-stakeholder organisations and initiatives such as Sustainable Apparel Coalition (SAC) and Zero Discharge of Hazardous Chemicals (ZDHC) 	<ul style="list-style-type: none"> Value chain cooperation Traceability and transparency Environmental impacts of raw material and manufacturing processes 	<ul style="list-style-type: none"> Product exhibitions and industry seminars Rating and certifications, such as HIGG certifications and OEKO-TEX certifications Collaboration for the Sustainable Development of Viscose (CV) Collaboration on Roadmap to Zero by ZDHC
Local community	<ul style="list-style-type: none"> Residents in the vicinity of Sateri's operations 	<ul style="list-style-type: none"> Environmental management on solid waste, wastewater and waste gas which can impact environmental health of the surrounding area and its associated health concerns Economic opportunities and spillovers Community investment and engagement 	<ul style="list-style-type: none"> Public Open Day Email channels for complaints and feedback Community engagement activities
Academic and research institutions	<ul style="list-style-type: none"> Academic research institutions such as the China Textile Research Institute and Donghua University 	<ul style="list-style-type: none"> Product and process innovation 	<ul style="list-style-type: none"> Collaboration on R&D Joint talent development strategy Academic and industry research and reports

MATERIALITY ASSESSMENT

We conducted a fresh materiality assessment for the 2019 Sustainability Report which was facilitated by an independent sustainability consultant. The identification process consisted of three main steps:

1. Identify a long list of potentially material ESG topics

The materiality assessment started with a context review which identified a long list of potentially material Environmental, Social and Governance (ESG) topics based on sustainability megatrends, industry hot topics, peer benchmarking as well as the material topics identified by Sateri in previous Sustainability Reports. Sustainability priorities of fashion brands were also taken into consideration so that Sateri can best support the broader ESG objectives of the textile value chain. The list of topics not only considers topics that can significantly influence Sateri's business, but also includes ESG areas where Sateri can have the largest outward impacts on.

2. Prioritise topics through stakeholder engagement

The long list of potentially material topics were fed into the stakeholder engagement process, during which, the relative importance of each topic was ranked and discussed through an online survey among management, employees, suppliers, yarn producers, fashion brands and NGOs. Interviews were also conducted among key stakeholders for an in-depth discussion on topics of interest. Feedback of stakeholders was collated and analysed in conjunction with context review to arrive at the priority topics. Topics that were repeatedly identified as significant and relevant in the industry landscape research, peer and brand benchmarking, as well as during the stakeholder engagement process were eventually identified as material to Sateri.

3. Validate relevant topics

The identified material factors were reviewed and approved by senior management. The materiality assessment process is summaries in the chart below.

Figure 1: Process of the materiality assessment



As a result, six ESG factors were identified to be material to Sateri. Please refer to the table below for the factors and their topic boundaries, which indicates where does the impacts occur for a material topic, and the Sateri's involvement with those impacts.

Table 3: Sateri's material factors and topic boundaries

S/N	Material factor	Topic boundary			
		Upstream Suppliers and Contractors	Sateri's own operation	Downstream customers (e.g. yarn factories and fashion brands)	Consumers
1	Traceability and transparency				
2	Sustainable sourcing of pulp				
3	Climate change				
4	Clean manufacturing				
5	Occupational safety and well-being				
6	Fair labour practices				

COMMITTED TO SUPPORTING SDGS

Sateri is fundamentally committed to contributing to the sustainable social and economic development of the country and the communities where we operate, including supporting the achievement of the United Nations (UN) Sustainable Development Goals (SDGs). The SDG framework is becoming a common platform for government and businesses to join hands and accelerate the sustainable development agenda. The 17 SDGs are a set of global goals agreed on by 193 UN member states in 2015 as a common framework to tackle major world issues by 2030. Under each broad goal are several targets to be achieved by 2030, with 169 targets in total. These give greater detail on specific milestones and achievements required to meet the greater goal. Sateri is aligned with the philosophy of this framework and aims to play a key role in helping achieve the SDGs.

In 2019 we reviewed our sustainability strategy and initiatives which have contributed meaningfully to the SDGs, and areas where we can do more. During the year, we engaged an external consultant to facilitate identification of priority SDGs where we can enhance our focus and improve our SDG performance going forward. The identification process involved three main steps:

1. Identifying areas of greatest needs for intervention

Understand the SDG targets of greatest need at the national and regional level by identifying the SDGs that China is furthest from achieving by 2030. This is done through referring to SDG progress report by UN sources and strategic plans by national governments.

2. Aligning SDGs with Sateri's capabilities and values

Through desktop review and stakeholder engagement, identify Sateri's sphere of influence and evaluate the scale of impact Sateri could have on the SDGs.

3. Adding further context through peer benchmarking and government spending reviews

Additional analyses were performed to include a detailed peer benchmarking exercise and an assessment of spending plans of the local government, to highlight the priorities of similar companies and the local government.

The results show identified and prioritised 11 out of the 17 SDGs where that we can play a catalytic role. This result will guide our strategic target setting for 2030 in the next year.

SUSTAINABLE DEVELOPMENT GOALS



PROGRESS ON 2020 GOALS

In Sateri's first Sustainability Report 2016, we have made a series of commitments to be achieved by 2020. 2019 is the final year leading up to 2020 and we are pleased to report our progress so far.

Table 4: Progress to 2020 Goals

	2020 GOALS	PROGRESS AS AT 2019 YEAR-END	
Product Management and Value Chain	Improve user-friendliness and sustainability of products and packaging through material control and technology upgrading	On track	Sateri's premium green viscose brand, EcoCosy®, has not only excellent quality, but also high environmental standards in its sourcing and manufacturing. For example, the range of EcoCosy® products enhance different property of the fibre to improve its usability and durability, such as improved spinning efficiency, colour retention and anti-bacterial potential.
	Obtain at least eight certifications or accreditations such as biobased, biodegradable/compostable and skin-friendly	Achieved	<p><u>Facilities</u></p> <ol style="list-style-type: none"> 1. STeP by OEKO-TEX® for SJX, SFJ, SJJ. SJS aims to achieve STeP Certification by the end of 2020 or early 2021. 2. SFJ, SJJ and SJX completed HIGG Facility Environmental Module (FEM) 3.0 self-assessment with independent verification by third party. 3. SFJ, SJJ and SJX completed Cleaner Production Assessment 4. ISO 9001:2015 Quality Management System Certification for all viscose mills 5. ISO 140001:2015 Environmental Management System Certification for all viscose mills 6. ISO45001:2018 Occupational Health and Safety Management System Certification for all viscose mills <p><u>Products</u></p> <ol style="list-style-type: none"> 7. 100% Bio-based Certification by USDA 8. Standard 100 by OEKO-TEX®

	2020 GOALS	PROGRESS AS AT 2019 YEAR-END	
			<p>9. MADE IN GREEN by OEKO-TEX® for Sateri's viscose products</p> <p>10. EU Seedling (Industrial Compostable) certification for Sateri's non-woven fibres.</p> <p>For details about the certifications and accreditations, please refer to page 31-32.</p>
Sustainable Sourcing of pulp	Encourage suppliers to obtain PEFC™ or FSC® Chain of Custody (CoC) certification	On track	As part of our sourcing policy, we encourage our suppliers to obtain PEFC™ or FSC® Chain of Custody certification.
	By 2020, ensure that 100% of purchased pulp is either certified or sourced from controlled wood	Falling short	In 2019, more than 99.6% of the wood pulp we sourced was certified or controlled. However, we anticipate missing the 100% target in 2020 due to the difficulties in securing certified and controlled pulp sources as our operation expands. This remains an ongoing target. Instead of outrightly terminating contracts with non-certified suppliers, we offer a supportive business relationship and give them reasonable time to work towards certification.
Climate Change	Establish and implement cleaner production plans and conduct greenhouse gas (GHG) verification to improve energy efficiency and reduce GHG emissions	On track	Achieved reduction in emission intensity from 2018. All viscose mills conducted annual GHG emissions verification for their power plants in line with greenhouse gas emission accounting standards recommended by the Chinese government.
	By 2020, all viscose mills will complete cleaner production audits and complete assurance inspections	On track	SFJ, SJJ and SJX completed Clean Production Standards assessment, and the results would be valid for five years, including 2020. Meanwhile, we are gearing up our newer plants to undergo this same assessment.
Clean Manufacturing	By 2020, water use per unit of product ⁵ will be reduced by 20% compared with 2016 ⁵	Falling short	In 2019, 37.8 m ³ of water was used per tonne VSF, presenting a 1% decrease from 2016's 38.3 m ³ of water per unit of viscose product. We anticipate missing the 20% reduction target in 2020. We will step up our water conservation efforts and strive towards the next set of ambitious water goal(s) for 2030.

⁵For the calculation of water intensity, the numerator only included water used in the production process of viscose and excluded water used in power plants. The denominator - the viscose output was converted to a standard specification Dtex-1.67 based on EU BAT guideline. This change in methodology has led to restatements of past year water intensity data. Water intensity in 2016 has been restated from 52.3 m³ per tonne VSF to 38.3 m³ per tonne VSF.

	2020 GOALS	PROGRESS AS AT 2019 YEAR-END	
Clean Manufacturing	Improve the collection and treatment of wastewater and air emissions through technological upgrading and optimised management to achieve robust compliance	On track	There were no incidents of environmental non-compliance in 2019. Our waste gas and wastewater performance were well-below the regulatory limits.
	By 2020, chemical oxygen demand (COD) discharge will be controlled within 50 mg/L at each mill	On track	SJX, SJJ and SJS each achieved COD concentrations well below 50 mg/L. SFJ had a COD concentration of 54.7 mg/L (which met the local emission standard) and was on its way to further improvement.
	Sulphur dioxide (SO ₂) from the boilers will be controlled within 35 mg/m ³ in all viscose mills	On track	SJX, SJJ and SJS's power plant boilers each achieved SO ₂ concentrations well below 35 mg/m ³ . SFJ's power plant boilers had an SO ₂ concentration of 44.7 mg/m ³ (which met the local emission standard) and was on its way to further improvement.
Occupational Health and Safety	Continue cultivating awareness of safety among employees; Continue developing safety corporate culture; Continue reducing workplace accident rates	On track	100% of employees working in Sateri's plants have received health and safety training.
	By 2020, the loss-time injury frequency rate (LTIFR) per 200,000 hours worked will be reduced by 40% compared with 2016	On track	LTIFR per 200,000 hours worked in 2019 was 0.14, 71% lower than the 0.49 LTIFR in 2016.
Transparency and Traceability	Further improve transparency and strengthen long-term mechanisms (such as grievance, media release and plant programmes) to ensure two-way communication with stakeholders at corporate and mill levels	On track	Through open communication and disclosure, we cultivate trust and transparency among stakeholders and Sateri. Our grievance system (please see page 28 for details) help stakeholders to raise any concerns.
	Use Sateri's industry influence to promote improvement of traceability and sustainability of every component of the value chain	On track	Sateri has introduced a physical tracer to our viscose products. This technology enables the identification of Sateri fibre and where is it produced at any stage of downstream production processes (yarn to garment).

	2020 GOALS	PROGRESS AS AT 2019 YEAR-END	
	Collaborate with the stakeholders along the value chain to enhance transparency of sustainability information in the industry sector	On track	During the year, we participated in various multi-stakeholder dialogues on a diverse range of sustainability objectives, including enhancement information transparency. For example, CV convened about 120 participants from the viscose, yarn, fashion, pulp, forestry and NGO sectors to a multi-stakeholder dialogue in Beijing, which Sateri participated too. Key topics disclosed included sustainable procurement and forest conservation, useful tools in measuring environmental performance and how to enhance transparency through disclosures and performance ratings.
	Release the independently assured sustainability report every year	On track	Since 2016, Sateri publishes an annual sustainability report with independent third-party assurance.
	By 2020, complete at least one independent sustainability transparency survey	Achieved	In preparation of Sustainability Report 2019, Sateri engaged an independent sustainability consult to conduct an online questionnaire and interviews among key stakeholder. During this process, input around transparency was sought from stakeholders as it is considered a highly material ESG topic for Sateri.
Collaboration and Partnership	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	On track	<p>Sateri believes that complex issues need to be solved through collaboration. Examples of such initiatives include:</p> <ul style="list-style-type: none"> • Collaboration for Sustainable Development of Viscose (CV) to promote the green development of the viscose industry in China • Contribution to the MMCF Roadmap to Zero working group • Facilitating the engagement between Canopy and Sateri's suppliers <p>For more details, please refer to the "Collaboration and Advocacy" section.</p>
Giving Back to Society	By 2020, Sateri employees will dedicate 2,150 hours per year to volunteer services to give back to the society	On track	In 2019, 1,545 employees volunteered for various community causes for a total of 7,027 service hours.

SUSTAINABILITY GOVERNANCE

Sateri takes sustainability seriously. We have a formal sustainability governance structure in which the highest level of management, the Sateri's Management Committee, has direct oversight over sustainability directions, policies and performance, including the publishing of this sustainability report. The Management Committee reviews major sustainability issues regularly to ensure their alignment with our overall business strategy and aspirations.

The Management Committee is supported by the Sustainability Department, which consists of a team of senior management and sustainability professionals. The Sustainability Department executes and drives the key sustainability endeavours of Sateri, including but not limited to:

- Establishing and implementing sustainable development strategies, policies, goals and action plans
- Keeping abreast of best practices in the industry and promoting collaboration for shared sustainable growth
- Monitoring sustainability performance and facilitating the attainment of sustainability-related certifications
- Communicating sustainability progress with internal and external stakeholders, such as through the publication of the annual Sustainability Report and the Sustainability Dashboard <https://www.sateri.com/sustainability/sustainability-dashboard/>



LEADING 

THE CHANGE

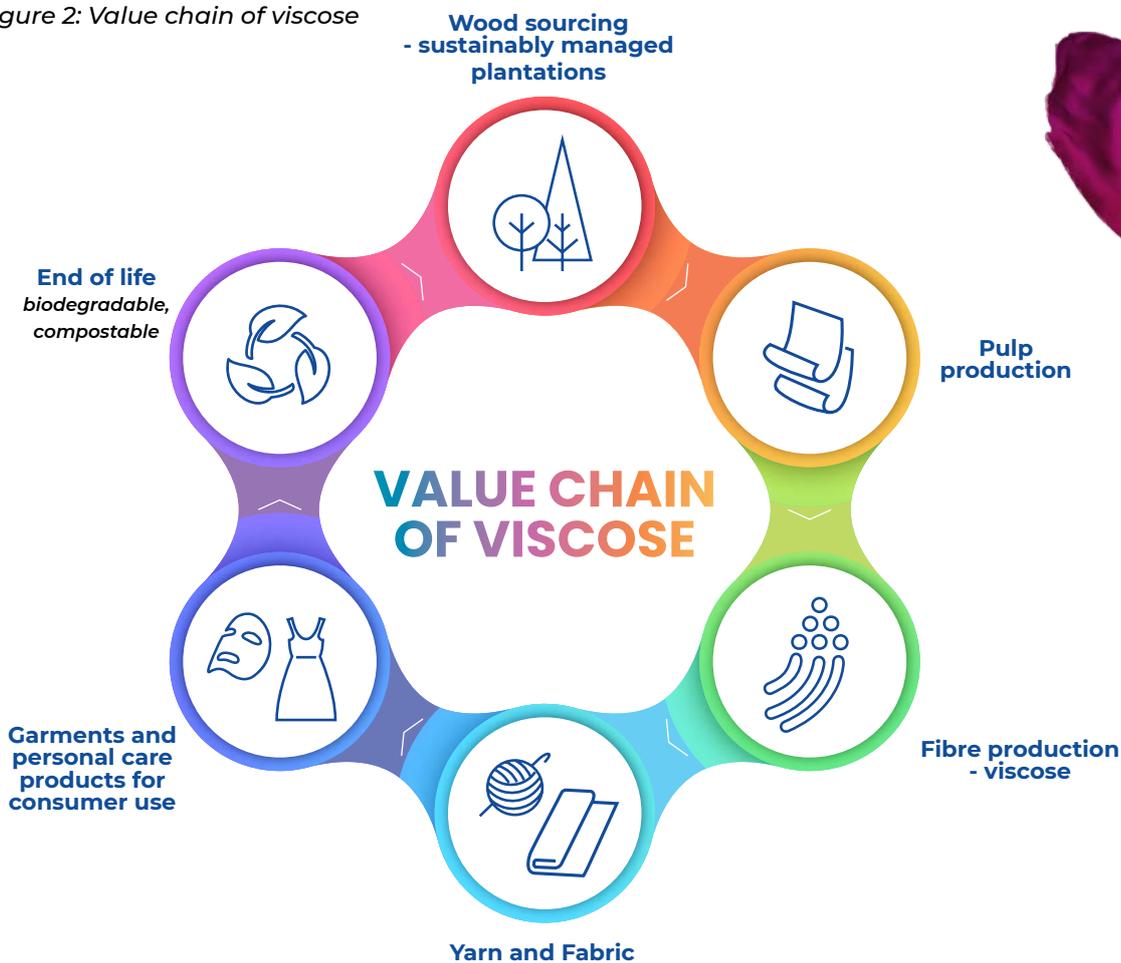
Sustainable cellulosic fibres are our passion. As the largest viscose producer in the world, Sateri is cognisant of its unique position and responsibility in leading change for greater sustainability in the viscose industry. Together with our partners, we want to create positive value for people and the environment. This is at the heart of our sustainability ambitions.

Through continual investment in research and development (R&D), we strive to innovate our products and processes to have a lower environmental impact, such as increasing the circularity of our product or adopting best available manufacturing technologies. We work together with our suppliers and customers to enhance the traceability and transparency of our viscose products to contribute to the broader sustainability goals of the textile value chain. Beyond our own operations, we proactively lead and drive the dialogue among Chinese viscose producers to align with global best standards.

CIRCULARITY AND INNOVATION

We live in a planet with finite resources. As the global population continues to grow and many emerging nations look for increased prosperity, we recognise the toll of increasing consumption on the environment and its resources. More than ever, we need to rethink our conventional linear model of the economy. That is where the idea of a circular economy emerges - a circular economy that entails gradually decoupling economic activity from the current take-make-waste extractive industrial model, and designing waste out the system, so to conserve natural capital.

Figure 2: Value chain of viscose



By its nature, viscose is a material with a biological origin and is therefore biodegradable, with a high degree of innate natural circularity. Sateri's product is made of renewable wood material from sustainably managed plantations. At the end of its lifecycle, viscose products can break down naturally and return to nature. We have achieved 100% Bio-Based Certification from the US Department of Agriculture (USDA). Our non-woven fibres also received the EU Seedling certification for biodegradability.

Sateri strives towards a closed-loop manufacturing process which recovers and reuse the chemicals as much as possible. This maximises resource efficiency and minimises waste discharge. The detailed description of the production process and key performance indicators for our closed-loop production are disclosed in the "Clean Manufacturing" section.



We are dedicated to creating high-quality and durable fibres that can realise the highest user value. Sateri has launched its premium green viscose brand, EcoCosy®, which has not only excellent quality, but also high environmental standards in its sourcing and manufacturing. There are multiple ranges of EcoCosy® products, including:

EcoCosy® Best Viscose (BV) Series Fibres

As part of the Best Viscose Yarn (BVY) programme to help downstream manufacturers produce high-quality yarn and fabric products, we worked with experts from the yarn spinning and equipment sectors to develop a series of EcoCosy® BV products for different spinning technologies/machines to help our customers optimise their spinning efficiency and productivity. Examples of improved traits include higher tenacity, better dyeing uniformity and consistency, higher spinning speed for higher productivity, improved aesthetics, fewer yarn breaks and cleaner edges when cut, as well as increased durability.



From our customers: Fujian Xinhuan Group

BV Fibres helps reduce yarn breaks during spinning compared to non-BV viscose fibres. This reduces the extra time taken to cut off the defect and reconnect yarn strands when the yarn breaks, thereby enhances production efficiency and conserves energy. Xinhuan Group achieved a 4-5% net increase in production efficiency, as well as lower energy usage and carbon emissions as a result of using BV Fibres.



EcoCosy® Colour™ Viscose

The EcoCosy® Colour™ Viscose has dye infused into the liquefied cellulose pulp before the fibres are formed so that the colour is evenly locked into the fibre and evenly spread. This spun-dyed process creates a fibre that never loses its lustre, unlike the fading and bleeding that can happen with the fibres from the traditional dyeing process. Using spun-dyed fibres will result in a shorter, cheaper and more sustainable supply chain. This product also helps the environment by reducing water and chemicals used in traditional dyeing.

EcoCosy® Anti-bacterial Fibre

Sateri EcoCosy® Anti-bacterial Fibre infuses active anti-bacterial substances into the fibre which helps to inhibit the growth of microbes, such as bacteria, fungi and viruses. This fibre not only reduces body odour caused by sweat to keep clothes smelling fresh for a longer time, but also delivers health benefits through its anti-bacterial performance, a trait highly valuable particularly in the context of a global COVID-19 pandemic.

We are also aware of the enormous challenges associated with textile waste. We are working with research institutes and technological partners on recycled and regenerated fibres from textile waste. Sateri is part of the RGE group of companies which has announced a USD200 million investments in technologically-advanced and innovative next-generation fibre solutions that can be deployed at industrial scale.

In August 2019, RGE invested as a strategic partner in Finnish start-up Infinited Fibre Company to scale up its technology that turns textile waste and other pulp-based materials into new textile fibres. A new pre-commercial plant and customer training centre in Finland are expected to be ready by early 2020. Sateri will participate in this advancement and is committed to using the best efforts to offer, at a commercial scale, new product lines with innovative alternative fibre input and/or recycled material in the near future.

⁶For more information, please visit our webpage on EcoCosy® Textile Fibres at <https://www.sateri.com/products/ecocosy-textile-fibres/>

TRACEABILITY AND TRANSPARENCY

Traceability and transparency are fundamental for one to understand a value chain and assess its sustainability. While traceability is the ability to follow the course of development of a product all the way from its origin, transparency is the quality of open and honest disclosures of information on the ways in which the product is produced. Traceability and transparency are demanded and valued by our stakeholders. They are also prerequisite in building credibility and trust in Sateri's story.

Through continued stakeholder engagement, we seek to understand and address key stakeholder concerns through open communication and disclosure. This very sustainability report is produced with the key questions from stakeholders in mind and aims to answer them in honesty. To offer a concise overview, we have also created a sustainability dashboard which reports on our performance on key environmental parameters, which can be accessed at <https://www.sateri.com/sustainability/sustainability-dashboard/>. We wish to deliver updates to stakeholders on a regular basis. That is also why we introduced a bi-annual newsletter on Sateri's latest news and developments (<https://www.sateri.com/media/newsletter/>).

Where the wood pulp comes from and how it is produced is arguably one of the most important stakeholder concerns. Since its founding, Sateri has continuously strengthened its sustainability management. We have developed and strictly implemented our Sustainability Policy and Pulp Sourcing Policy to guide our business practices and conduct. These policies are made available on our website:

- Sustainability Policy: <https://www.sateri.com/sustainability/sustainability-policy/>
- Pulp Sourcing Policy: <https://www.sateri.com/sustainability/pulp-sourcing-policy/>

The details about our sourcing practice can be found in the "Sustainable Sourcing of Pulp" section.

We publish the names of our pulp suppliers and their location on our website (<https://www.sateri.com/sustainability/pulp-suppliers/?location=cn>). In our interactive map, there are also links provided to most of our pulp suppliers' sustainability practices and performance.

Sateri also has a supplier risk assessment process in place for non-pulp suppliers, including suppliers of chemicals, equipment, constructional materials, technology and consulting services etc. The supplier evaluation and screening process are carried out by the respective purchasing departments on both new and existing suppliers. Apart from financial standing, product/service quality and compliance, the evaluation also takes into considerations supplier's ESG performance, including health, safety and environment commitments, as well as their green policy. Based on the results, suppliers will be assigned to three lists, namely, the Approved Supplier List (ASL), Non-approved List (NSL), or Delisted Supplier List (DSL). In 2019, Sateri evaluated 338 potential new suppliers. As at 2019 year-end, we had a total of 180 suppliers in ASL.

Sateri has introduced tracer to our viscose products which enables identification of Sateri fibre and where it is produced at any stage of downstream production processes (yarn to garment). The technology can be complemented with any digital traceability solution. This traceability provides brands and retailers with the knowledge of where the fibres in their clothes are from, as well as demonstrates that the fibres are produced in an environmentally and socially responsible way. This system is successfully implemented for Sateri's flagship brand EcoCosy[®], and is available on demand. Sateri's products have also obtained MADE IN GREEN certification by OEKO-TEX[®], a traceable product label which ensures that the product has passed the testing of the hazardous substance and is manufactured in a sustainable manner. We are also certified to the standards of PEFC Chain-of-Custody.

As a transparent and accountable company, we encourage stakeholders to send us feedback about our policies, operations and activities – and those of our suppliers and partners – so we can take action to address concerns, resolve grievances and improve our performance. Any raised grievance is treated seriously in line with our grievance protocol (<https://www.sateri.com/sustainability/grievance/>), which include:

- Recording comments and grievances
- Taking action to verify claims
- Rectifying any confirmed issues
- Replying to feedback with details of actions taken

Sateri is committed to treating all complaints fairly and in a timely way. An appeal can be made when the offered solution is deemed unsatisfactory for further follow-up.

COLLABORATION AND ADVOCACY

Complex global challenges call for a collaborative approach between multiple entities. As one of the leaders in wood-based cellulosic fibres, we take the responsibility upon ourselves to raise the bar of sustainability in the viscose industry. We are in a unique position to do so as we are well-connected to a vast network of textile companies, industry associations, standard-setting institutions and NGOs both within China and globally. To this end, we strive to act as an advocate for progressiveness and leader among the Chinese viscose companies.

As illustrated in the sections above, Sateri works together with research institutions and downstream business partners to drive for product innovation and value creation, while at the same time collaborates with upstream suppliers to enhance traceability of product origin.

In 2018, Sateri, together with the China Chemical Fibres Association, China Cotton Textile Association, and nine other Chinese viscose producers, established the Collaboration for Sustainable Development of Viscose (CV) to promote the green development of the viscose industry in China. In 2019, CV started the development of the CV Roadmap 2025 for the Chinese viscose industry in consultation with raw material suppliers, brands, government agencies and civic organisations. The CV Roadmap 2025 will comprise higher standards for responsible sourcing of raw materials and responsible production as compared to CV's previous roadmap. These new standards will be aligned with the relevant benchmark of international and local standards, including those of the EU.



We have also supported several international industry-wide initiatives to contribute to the progression of broader sustainability objectives, including:

Roadmap to Zero Programme by ZDHC

ZDHC is committed to advancing towards zero discharges of hazardous chemicals in the apparel value chain, thereby reducing harm to the environment and human well-being. Sateri is a member of the ZDHC-MMCF Working Group, which is in the progress of developing emissions and responsible fibre production guidelines for the MMCF industry. The standards were piloted in three of Sateri's mills (SFJ, SJX and SJJ) in 2019. The final guideline is expected to be published in 2020.

Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing by Changing Market Foundation (CMF)

CMF is an environmental non-profit organisation established in the Netherlands, which aims to promote MMCFs with sound environmental impact and social benefits. Through its roadmap to viscose and modal, CFM laid out an ambitious, brand-led approach with hard deadlines for the transition to closed-loop fibre production and enhanced transparency about their progress towards this goal. Sateri has regular dialogues with CMF on the current environmental performance of our mills and continues to strive for the aspirations in the Roadmap. Our active participation in ZDHC-MMCF Working Group, as mentioned above, is one of the actions we have taken to address CMF's concerns regarding the viscose industry.

Additionally, Sateri also encourages dialogues between CV and CMF as a bridge between the Chinese viscose industry to international standards. For example, we advised CV to consider and reference CMF's roadmap when developing its own CV Roadmap 2025.

More examples of collaboration and advocacy are described in the "Respecting the Environment" chapter, such as the ecological conservation programme.

MULTI-STAKEHOLDER DIALOGUES

During the year, we participated in various multi-stakeholder dialogues as well as tailored meetings for key stakeholder groups to update them on our sustainability practices and provide forums for constructive discussion.

For example, in January 2019, CV convened about 120 participants from the viscose, yarn, fashion, pulp, forestry and NGO sectors to a multi-stakeholder dialogue in Beijing. Sateri joined participants from all other the world, including China, Europe, Southeast Asia and USA, to exchange perspectives and recommendations for a sustainable future for the viscose industry. In the spirit of openness and transparency, this dialogue aimed to promote systematic thinking and pre-competitive collaboration among the participants. Key topics disclosed included sustainable procurement and forest conservation, useful tools in measuring environmental performance and how to enhance transparency through disclosures and performance ratings. This dialogue was one of the many Sateri actively participated and advocated for industry-wide collective action.

CERTIFICATIONS

Sateri aspires to align its sustainability practices with global best practices. We obtained a number of well-recognised international certifications and ratings as a testament of our outstanding environmental and social performance, for examples:

 <p>STeP by OEKO-TEX®</p>	<p>Three of Sateri’s viscose mills, namely, SFJ, SJX and SJJ, have received the STeP certification from OEKO-TEX. STeP stands for Sustainable Textile and Leather Production. A modular certification system for production facilities in the textile and leather industry, STeP by OEKO-TEX® aims to promote environmentally friendly production processes, enhance health and safety and improve socially responsible working conditions at production sites.</p>
 <p>HIGG Facility Environmental Module (FEM) 3.0</p>	<p>Three of Sateri’s viscose mills, namely, SFJ, SJX and SJJ, have successfully completed the self-assessment using the HIGG FEM 3.0, making Sateri one of the world’s first viscose company to do so. Sateri achieved an average score of 90%. Developed by the Sustainable Apparel Coalition, The HIGG Facility Tool measures how well facilities are managed with respect to seven environmental categories, including environmental management systems, energy use and greenhouse gas emissions, water use, emissions to air, waste management, as well as chemical use and management etc.</p>
 <p>PEFC™ Chain of Custody Certification</p>	<p>PEFC™ Chain of Custody (CoC) is a mechanism for tracking certified raw materials from forest to final product, to ensure that certified wood used in the products is derived from sustainably-managed plantations/forests and other noncontroversial sources.</p> <p>All of Sateri’s viscose mills have passed the international PEFC™ CoC Certification standards, as well as the China Forest Certification Council (CFCC) certification in China which is endorsed by PEFC™.</p>
 <p>USDA Certified Bio-based Product</p>	<p>Sateri has received the 100% Bio-based Certification by USDA for its viscose staple fibre (white). This product certification verifies a product for being biologically-based rather than petroleum-based. Bio-based products are derived from renewable resources such as plant, animal, marine and forestry resources. As an alternative to non-renewable petrochemicals, bio-based materials play a significant role in reducing greenhouse gas emission.</p>



**Standard 100 by
OEKO-TEX®**

Sateri has received the STANDARD 100 by OEKO-TEX® certification. This certification is among the most widely recognised textile eco-labels for textiles tested safe, without any harmful substances.



**MADE IN GREEN by
OEKO-TEX®**

Sateri's viscose products have obtained MADE IN GREEN certification by OEKO-TEX®, a traceable product label which enables communication throughout the supply chain all the way to the end-user. By scanning the QR code attached to the label, customer can rest assured that the product has passed the testing of the hazardous substance and is manufactured in a sustainable manner.



**Seedling (Industrial)
Compostable
Certification**

Sateri's non-woven fibres received the Seedling certification and Biodegradable Products Institute (BPI) certification for biodegradability. Seedling is an independent third-party certification that verifies the compostability of a product in an industrial composting plant in accordance with the European standard EN 13432, and BPI is in accordance with ASTM D6400 and/or D6868.



**BPI Compostable
Certification**



RESPECTING 
THE ENVIRONMENT



Sateri is dependent on nature for natural resources and we strive to mitigate our impact on the environment. We carefully manage our environmental footprint, from the sourcing of pulp to clean and low-carbon manufacturing process, to optimising the environmental performance of our products.

SUSTAINABLE SOURCING OF PULP

Fibres produced from wood-based materials can contribute to climate change mitigation and biodiversity conservation if they originate from sustainably-managed forests or plantations. It is one of the most important areas that Sateri consistently strives to be accountable for.

Sateri carries out responsible sourcing according to its Pulp Sourcing Policy, which was formulated in accordance with RGE group's Sustainable Development Framework for Forests, Fibres, Wood Pulp and Paper Products. During the year, we reviewed our standard operating procedures (SOP) and supplier risk assessment criteria to ensure they are in line with our sourcing policy. We communicated our policy and requirements to our suppliers, and provided guidance to assist suppliers in meeting them. Some of our key sourcing commitments⁷ include avoiding using wood pulp that is:

- illegally harvested or traded
- from forests of high conservation value (HCV), high carbon stock (HCS), from ancient and endangered forests or from the habitats of endangered species
- from the conversion or simplification of natural forests to plantations after June 2015
- from genetically modified trees
- obtained in violation of the rights of indigenous peoples and communities to give or withhold their Free, Prior and Informed Consent (FPIC) to operate on lands where they hold legal, communal or customary rights
- obtained in violation of workers' rights or any of the ILO's Declaration on Fundamental Principles and Rights at Work

We require all dissolving wood pulp suppliers to sign a Declaration of Commitment with the above policy. We also undertake a sustainability risk assessment on our suppliers, which is designed to identify supplier-specific risks of non-compliance with the Sateri Pulp Sourcing Policy. We also use commonly-adopted third-party standards, such as PEFC™ (Programme for the Endorsement of Forest Certification™) and FSC® (Forest Stewardship Council®) Chain of Custody certifications, ISO 14001 Environmental Management System Certification etc., to define our sourcing expectations.

The assessment is largely based on third party evidence, and in cases where it is not clear that risks are addressed adequately by the evidence provided, Sateri may also conduct further desktop or field analysis to substantiate the findings.

Based on the assessment findings, each supplier will be given a risk rating– high, moderate, low or negligible. We will then work with the suppliers to ensure time-bound improvement plans are put in place to address the gaps accordingly.

In 2019, we had a total of 10 pulp suppliers, and all underwent risk assessment exercise. Some of the gaps identified included lack of information on forest origins, maps of plantation/forest sites, greenhouse gas emissions and mitigation actions. We are working with our suppliers to improve on these areas.

Note:

⁷For more information, please refer to our Pulp Sourcing Policy: <https://www.sateri.com/sustainability/pulp-sourcing-policy/>

In 2019, Sateri purchased most of our dissolving pulp from two suppliers, namely, APRIL and Bracell. Their wood pulp is primarily sourced from plantations in Indonesia and Brazil.

No. of Pulp Suppliers



Asia



South America



Europe



North America



Africa

A total of 1.06 million tonnes of wood pulp were used in our production in 2019, of which 99.6% was sourced from certified or controlled wood sources, an increase from 98.5% in 2018.

Wood pulp sources



Asia



South America



Europe



North America



Africa

Sateri supports pulp suppliers who are committed to environmental and social sustainability while pursuing economic growth. Sateri encourages its wood pulp suppliers to obtain PEFC and FSC forest management and chain-of-custody certifications (CoC). APRIL (<https://www.aprilasia.com/en/sustainability>) and Bracell (<https://www.bracell.com/en/sustainability/our-commitment/>) report their forest management and conservation efforts, alongside with other sustainability commitments on their websites and through annual sustainability reports.

Following an extensive dialogue with Canopy, Sateri has jointly developed with APRIL a plan to address some of the NGO's concerns and align to our commitment of continuous improvement. The plan's overarching objective was to ensure that areas of significant ecological value in Indonesia are conserved and protected and restored where needed:

Enhance transparency: APRIL has enhanced accessibility of their sustainability dashboard by removing the registration requirement and made High Conservation Value (HCV) assessments publicly available

Strengthen supply chain management to avoid deforestation to high-value forest

- APRIL has revised its 'Policy for Association' to clarify to all its suppliers the existing mandatory requirement of conducting High Conservation Value (HCV)/High Carbon Stock (HCS) assessments prior to any new plantation development, as well as the submission of the assessment reports to APRIL as part of the company's due diligence process.
- Consistent with APRIL's Sustainable Forest Management Policy 2.0, which states that it will not source from HCV or HCS areas, Sateri and APRIL will continue to reemphasise the importance of, and support for the ongoing ecological integrity of large, intact forest ecosystems.
- APRIL indicated a willingness publicly reaffirm that it does not source from the Intact Forest Landscapes of Leuser, West Papua and Kalimantan, where it has neither present nor future plans to operate.

Support the Protection and Conservation of Leuser Ecosystem: Sateri commits to continue engaging APRIL and the RGE to support lasting conservation solutions, including significant areas of critically endangered species habitat in the Leuser Ecosystem. While APRIL does not operate, have any concessions or source from Aceh or from the Leuser Ecosystem, it recognizes the importance of protecting this ecologically and socio-culturally important landscape. APRIL has expressed its willingness to work with Canopy and other civil society groups to support conservation initiatives in the Leuser Ecosystem, including contributing technical and funding resources.

Peatland Management: Sateri and APRIL acknowledge Canopy's concerns regarding APRIL's operations on carbon-rich peatlands. APRIL has adopted a Peatland Roadmap, developed jointly with an independent team of peatland scientists, to guide responsible peatland management. The Roadmap includes the development of a vision based on a combination of responsibly-managed production, restoration, and protection of all remaining forest without further loss or degradation of peat in collaboration with other stakeholders.

Sateri takes this effort very seriously and has worked extensively with APRIL to implement the key elements of this action plan. More information here: https://www.sateri.com/news_events/sateri-adopts-action-plan-in-response-to-canopys-hot-button-report-assessment/.

SUPPORTING ECOLOGICAL CONSERVATION

We actively support the conservation of natural ecosystems. Restorasi Ekosistem Riau (RER) is a pioneering private sector-led collaborative project to conserve 150,000 ha of ecologically important high conservation areas on Indonesia's Kampar Peninsula and Padang Island in the Province of Riau, Sumatra. The programme protects, assesses, restores and manages biodiversity on the largest remaining area of Sundaic lowland peatland rainforest in Indonesia in partnership with environmental NGOs and local communities. This area is home to hundreds of species of plant and animal wildlife, including the critically endangered Sumatran Tiger and Sunda Pangolin. It is also a huge carbon sink and a large source of freshwater that supports non-forest resource activity for downstream local communities. RER is one of the largest privately funded ecosystem restoration projects in Indonesia in which our strategic supplier, APRIL, is an official partner.

Insects are key to a functioning ecosystem through their role as pollinators, in nutrient cycling, decomposition and pest control. This sometimes-overlooked group of fauna can also be an important indicator of ecosystem health. In 2019, our EcoCosy® collaborated with APRIL to conduct a survey on Odonata (dragonflies and damselflies) in RER. Odonata is known to be an important indicator of ecosystem health, particularly in water inundated environments such as peat swamp forests. This study contributes to the ecological understanding of the protected area and helps to shape science-based conservation strategy.

Preliminary studies identified 28 species of dragonflies and damselflies along the Serkap and Sangar rivers, some of which were recorded on the island of Sumatra for the first time. Additional surveys will be carried out in 2020 to develop a Dragonfly Biotic Index (DBI) which can be used to assess the environmental health of aquatic ecosystems and to monitor changes over time.



Blue riverdamselfly, Pseudagrion microcephalum, a common species of damselfly recorded on the rivers of RER.

CLIMATE CHANGE

There is unequivocal scientific evidence of climate change on a global scale due to human activities. International action is needed to address climate by both enhanced mitigation and adaptation efforts, across public and private sectors. In 2018, United Nations Framework Convention on Climate Change (UNFCCC) published the Fashion Industry Charter for Climate Action at COP24 (Conference of Parties 24). The charter includes a target of 30% of GHG emission reduction by 2030 and a commitment to analyse and set a decarbonisation pathway for the fashion industry drawing on methodologies from the science-based targets initiative and achieve “net zero emissions” by 2050.

The relationship between climate change and Sateri’s business is two-ways. On the one hand, Sateri’s sourcing policy, manufacturing processes and product innovation can influence its overall GHG emissions, which either mitigates or exacerbates climate change. On the other hand, the changes in physical conditions, market expectations and technological advancement arising from climate change, can bring about a multitude of potential risks and opportunities for Sateri.

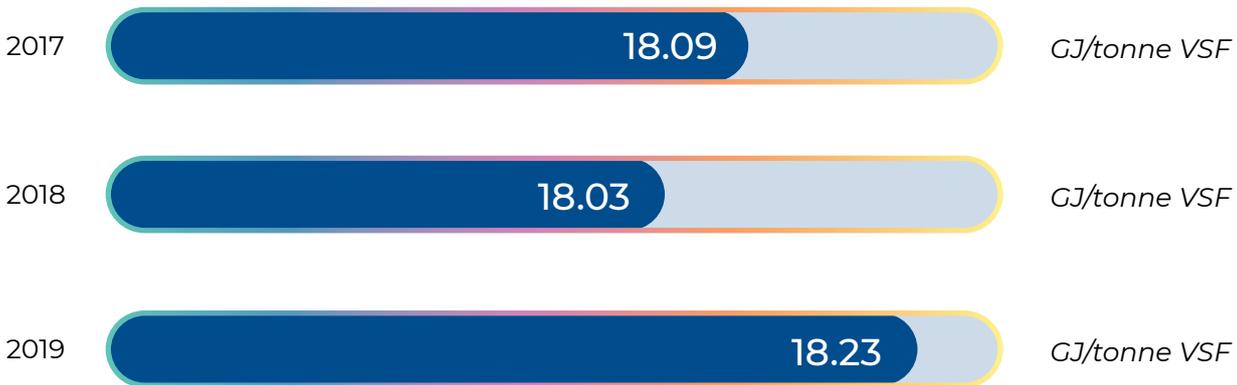
In response, Sateri’s sustainability team has proactively developed a strategic response under the guidance of the Management Committee. The strategic response involved the establishment of a GHG emission inventory with 2018 as the baseline, ambitious target setting and active partnership with stakeholders for achievement of those targets. Sateri has optimised energy efficiency through a Continuous Improvement Programme where metrics are developed and incentives are offered to encourage all employees to be active participants in energy conservation and emission reduction. We have also voluntarily completed the climate change questionnaire by the Carbon Disclosure Project (CDP) to disclose our key climate change risks and opportunities.

We are proud to report that we have achieved A- in our latest scored response, becoming the first viscose producer in the world to reach the “Leadership” band. There are in total four scoring bands for CDP scoring, namely, Disclosure, Awareness, Management and Leadership. Leadership band is only awarded to companies demonstrating the most comprehensive disclosures and management of climate-change related risks and opportunities and setting ambitious and meaningful targets. Our CDP response can be found at <https://www.cdp.net/en/responses>

Sateri’s viscose mills primarily consume energy through electricity, which is produced either in the on-site power plants using coal or diesel, or purchased from the grid. Any surplus electricity is supplied back to the grid. In 2019, our viscose mills consumed a total of 24,113 TJ of energy, representing a 39% increase in energy consumption. However, such an increase is largely attributed to the inclusion of SJS in the reporting scope. Our energy intensity, the measurement of energy consumption per unit of output, remained rather constant, at 18.23 GJ/tonne VSF in 2019 as compared to 18.03 GJ/tonne VSF in 2018.

Table 5: Energy intensity of viscose mills

Energy intensity at viscose mills⁸



Sateri viscose mills conduct annual GHG emissions verification for their power plants in line with greenhouse gas emission accounting standards recommended by the Chinese government. In 2019, Sateri's viscose mills, yarn factory and corporate headquarters had a total Scope 1 GHG emissions of 3,195,776 tonnes of CO₂ equivalent (tCO₂e), and a Scope 2 GHG emissions of 167,638 tCO₂e. That amounted to a total of 3,363,414 tCO₂e of Scope 1 and Scope 2 GHG emissions. Although we have witnessed an increase in the total Scope 1 and Scope 2 emissions from 2,589,904 tCO₂e in 2018 to 3,363,414 tCO₂e in 2019, such increase is largely attributed to the expansion of our reporting scope.

Note:

⁸For the calculation of energy intensity, the viscose output was converted to a standard specification Dtex-1.67 based on EU BAT guideline. Dtex represents the fineness of textile fibres and Dtex-1.67 is the standard size.



CLEAN MANUFACTURING

Sateri aims to minimise the environmental pollutants discharged to the environment through clean manufacturing. It is achieved through utilising the best available technology (BAT) and process innovation, such as the closed-loop production method to maximise the recycling rate of resources used and reduce waste by-product. It also encompasses responsible usage of water resources and chemicals, as well as the discharge of solid waste, wastewater and waste gas in line with environmental regulations and international best practices.

Sateri has established an environmental management system and formed an Environmental, Health and Safety (EHS) Management Committee. The Committee is responsible for systematically managing environmental issues and holding regular operations review meetings to discuss related issues such as pollutant discharges, pollutant monitoring and internal auditing results. In 2019, Sateri had a total of 93 full-time EHS personnel, and its total annual investment on environmental protection initiatives reached USD 25.2 million.

There were zero incidents of environmental non-compliance during the year. Environmental data of Linz Nanjing yarn factory is disclosed separately at the end of this section.

WASTE GAS EMISSIONS

The air emissions generated by Sateri viscose mills are primarily from the flue gas of the power plant's coal-fired boilers and production processes. Main pollutants include carbon disulphide (CS₂), Hydrogen sulphide (H₂S), sulphur dioxide (SO₂) nitrogen oxide (NOx), and soot.

In an effort to reduce waste gas emissions, Sateri collects, recycles, and treats both the flue gas from the boilers of its coal-fired power plants and the waste gas from its production processes. All Sateri's viscose mills implemented an ultra-clean emission transformation programme for boiler exhaust gas. As a result of this programme, the viscose mills have achieved, ahead of schedule, the goal of ultra-low emissions for coal-fired power plants as required by Chinese environmental regulation. The emissions of soot, SO₂ and NOx were far below the legal emission standards.

Wet Sulphuric Acid (WSA) process is another technological transformation that can be used to reduce waste gas emissions. Adopted by SFJ, the WSA process burns exhaust gases CS₂ and H₂S generated in the production lines to produce SO₂. The SO₂ is then converted into concentrated sulphuric acid products for reuse in the plant. The WSA process both saves on raw materials and produces sulphuric acid, which can be reused.

In 2019, each of our viscose mills performed well-below the regulatory waste gas emission limit. Our total sulphur recovery rate was 96%. Our specific sulphur to air rate was 8.51 kg per tonne VSF. The detailed performance on waste gases from our viscose mills is detailed in the table below.

Total sulphur recovery rate was

96%

Our specific sulphur to air rate was

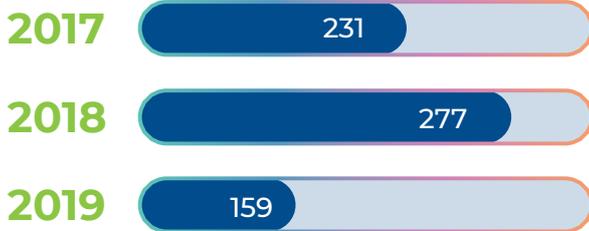
8.51kg tonne VSF

Table 6: Waste gases from our viscose mills

From power plant boilers

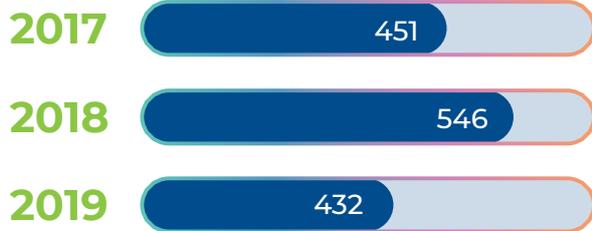
Total SO₂

tonne



Total NO_x

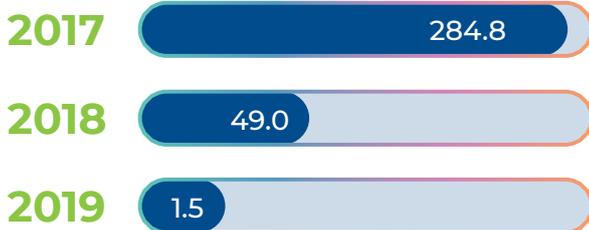
tonne



From the viscose production process

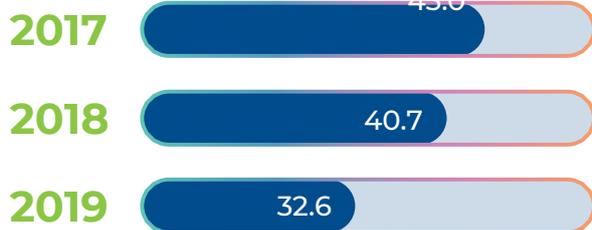
Total SO₂

tonne



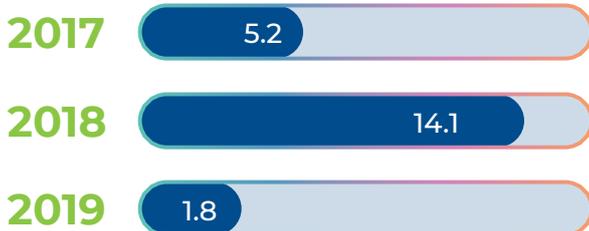
Total CS₂

tonne



Total H₂S

tonne



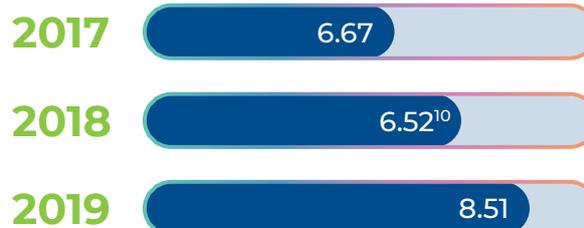
Overall performance

Total sulphur recovery rate

2017	97.2%
2018	97.2% ⁹
2019	96.4%

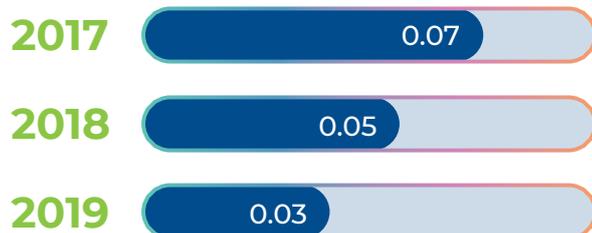
Specific sulphur emissions to air

kg/tonne VSF



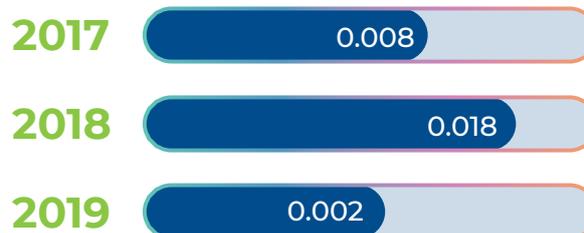
Specific CS₂

kg/tonne VSF



Specific H₂S

kg/tonne VSF



Note:

⁹The sulphur recovery rate for 2018 is restated from 98% to 97%. The restatement is change in calculation methodology.

¹⁰The specific sulphur to air rate for 2018 is restated from 0.89 kg/tonne VSF to 6.52 kg/tonne VSF. The restatement is change in calculation methodology.

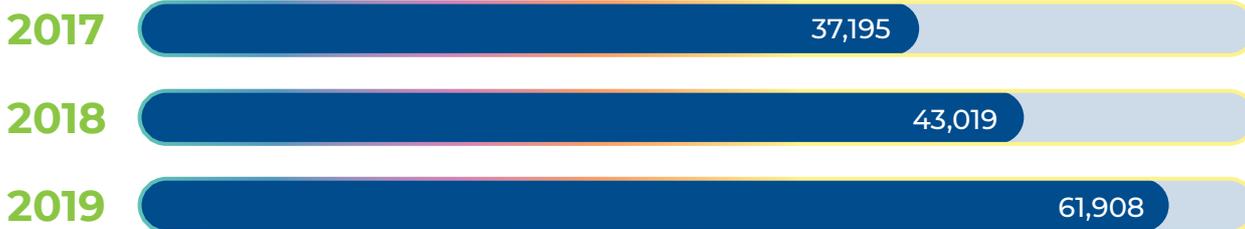
WATER USAGE

Sateri viscose mills used surface water and reservoir water in their productions. All water withdrawal and discharged are freshwater. Sateri does not operate in areas with high water stress, as defined by the World Resource Institute. Due to the change in reporting scope, our water intensity increased slightly from 35.9 m³/tonne VSF in 2018 to 37.8 m³/tonne VSF in 2019.

Table 7: Water withdrawal¹¹ by destination by viscose mills

Surface water, including rivers, lakes and reservoirs

thousand m³



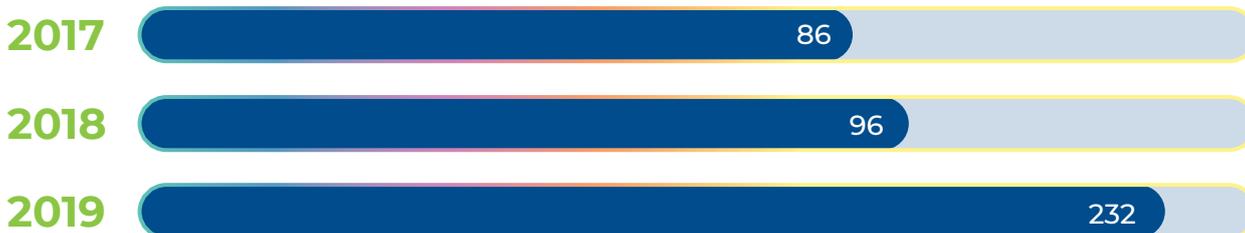
Rainwater¹²

thousand m³



Third-party water

thousand m³



Total

2017 **37,281** 2018 **43,115** 2019 **63,857**

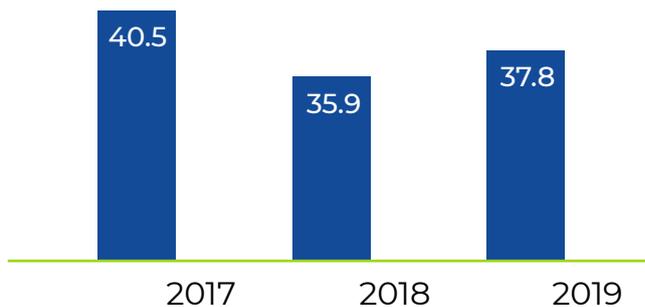
Note:

¹¹Sateri's operation involves produced water from purchased wood pulp and chemicals, however, its volume is not measured.

¹²Rainwater is collected and mixed with used water before circled back into the production loop for recycling. The practice of collecting rainwater started in 2019.

Table 8: Three-year water intensity comparison for viscose mills

WATER INTENSITY¹³
m³/tonne VSF



WASTEWATER

Sateri’s viscose mills discharge wastewater in strict compliance with environmental laws through water resource recycling, advanced wastewater treatment, and close monitoring of water quality.

Sateri’s viscose mills generate production wastewater, ground-washing wastewater and domestic sewage. All viscose mills have wastewater treatment plants to treat the wastewater to meet the discharge standards before being released into designated waterbodies. The destination of wastewater discharge is shown in the table below.

Table 9: Water discharge by destination by viscose mills in 2019

thousand m³



Rivers and lakes

40,887



Sea

12,086

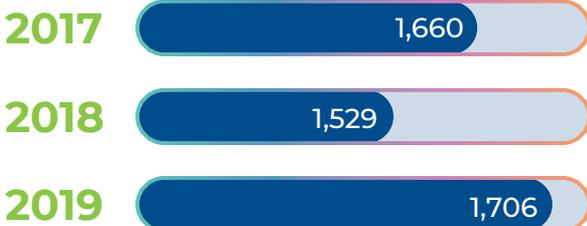
Total
52,973 Water discharge

The main concerns in Sateri’s wastewater include chemical oxygen demand (COD), NH₃-N, zinc (Zn) and sulphide (S²⁻), whose concentration are disclosed below. The concentrations of the pollutants in our wastewater were well below the local legal requirements.

Table 10: Wastewater from viscose mills

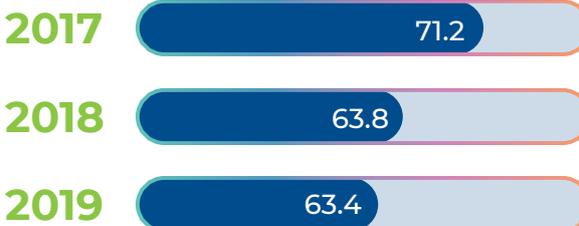
COD Discharge

tonne



NH₃-N Discharge

tonne



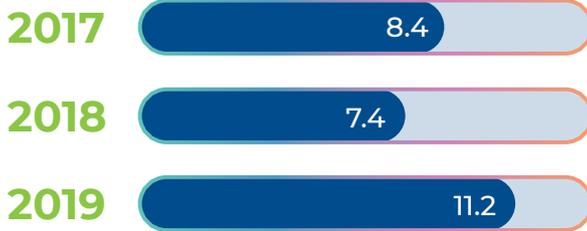
Note:

¹³For the calculation of water intensity, the numerator only included water used in the production process of viscose and excluded water used in power plants. The denominator - the viscose output was converted to a standard specification Dtex-1.67 based on EU BAT guideline. This change in methodology has led to restatements of past year water intensity data. Water intensity in the past years have been restated from 55.0 m³ per tonne VSF to 40.5 m³ per tonne VSF in 2017 and from 50.5 m³ per tonne VSF to 35.9 m³ per tonne VSF in 2018.



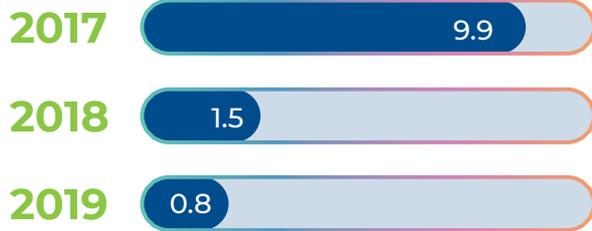
Zn Discharge

tonne



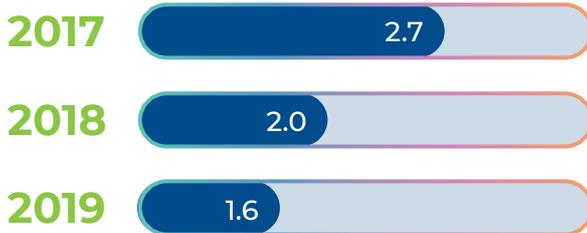
S²⁻ Discharge

tonne



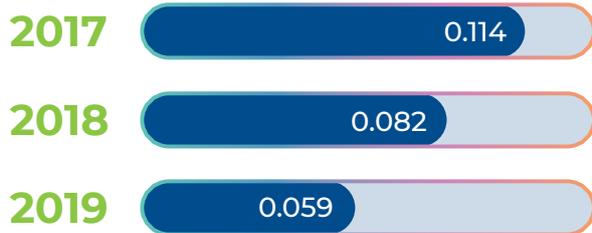
Specific COD Discharge

kg/tonne VSF



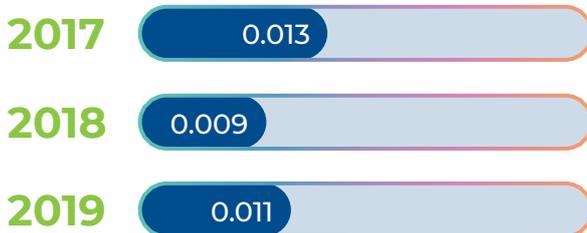
Specific NH₃-N

kg/tonne VSF



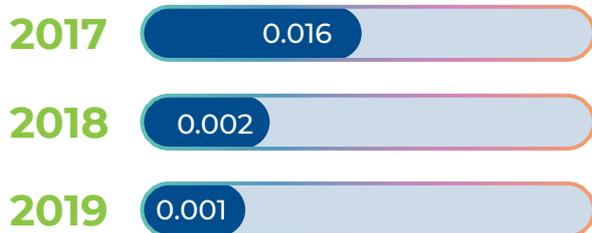
Specific Zn Discharge

kg/tonne VSF



Specific S²⁻

kg/tonne VSF



CHEMICAL MANAGEMENT

The production of viscose involves the use of certain hazardous chemicals, including sodium hydroxide (NaOH), concentrated sulphuric acid (H₂SO₄), carbon disulphide (CS₂). Sateri has established a set of robust chemical management rules which cover the procurement, transportation, usage, storage, and waste management of chemicals:

Table 11: Chemical management

<p>Sourcing and transportation</p>	<ul style="list-style-type: none"> ● Strictly control the types and total amounts of chemicals purchased in accordance with international policy standards. ● Develop Restricted Substance Lists (RSLs) and Manufacturing Restricted Substance Lists (MRSLs) and update them annually. ● Only engage with qualified suppliers and transportation service providers, whose qualifications are also subjected to onsite verification and assessments.
<p>Usage and storage</p>	<ul style="list-style-type: none"> ● Classify, categorise and store chemicals according to their attributes. Conduct regular inspections and designate specialised personnel to manage these processes. ● Install emergency recovery facilities in the mills and provide employees with personal protective equipment. ● Develop an emergency plan for chemical spills and conduct drills.
<p>Waste management</p>	<ul style="list-style-type: none"> ● Store waste chemicals at designated storage sites to be disposed by qualified waste collectors.

Major brands and retailers in the textile and fashion industries are calling for an industry-wide goal of zero discharge of hazardous chemicals to alleviate their impact on the environment and human health. In 2018, Sateri became a member of ZDHC with the goal of minimising discharges of hazardous chemicals. By implementing the Continuous Improvement Programme, Sateri has reduced the use of hazardous chemicals in its production process. Each of Sateri’s viscose mills sets annual targets to reduce their CS₂ consumption per tonne of viscose staple fibre produced. The mills also actively identify segments of the production process whose CS₂ usage or recovery levels could be improved. This effort has resulted in both a decrease in CS₂ usage and higher recovery rates.

Sateri regularly conducts major hazardous source identification exercise, safe operation training and established emergency measures for chemical leaks or spills. For hazardous chemicals and other materials, Sateri’s viscose mills developed and use Material Safety Data Sheets (MSDS) which state their production purposes, warning signs for their operational sites, and associated safety cards.

Emergency drills for chemical spills or leaks are intended to train staff to timely and effectively control and eliminate the harm of such incidents. In 2019, each of Sateri’s viscose mills conducted chemical spill drills to help employees prepare for such an emergency. There was no occurrence of chemical leaks at any of Sateri’s production sites during the year reviewed.

CLOSED-LOOP PRODUCTION

Closed-loop production is a manufacturing technology that optimise the utilisation of raw materials by recovering chemicals, water and energy. Sateri’s viscose process strives towards a closed-loop process and thus recovers and recycles as much of the resources it uses as possible. To this end, we achieved a high total Sulphur recovery rate of 96% in 2019, one of the highest in the industry. This avoids waste, ensures high resource utilization and results in less emissions to air.

SOLID WASTE

Sateri viscose mills collectively formulated the “Production Waste Management Regulations” and the “Waste Label Management Regulations” to manage and supervise the production, collection, labelling, recording, storage, transportation, transfer and disposal of solid waste. The solid waste is categorised and managed as below. In 2019, 71% of our non-hazardous waste was recycled or used.

In 2019
71% of our non-hazardous waste was recycled or used.



Table 12: Amount, description and disposal method for solid waste from viscose mills

NON-HAZARDOUS GENERAL WASTE (tonne)

Includes coal ash, coal slag, desulphurised gypsum, pulp packaging paper, packaging wire and domestic garbage, etc.

Recycled or reused by an external party



2017 - 308,920
 2018 - 347,589
 2019 - 477,398

Incinerated



2017 - 109,077
 2018 - 148,393
 2019 - 193,597

Directed to landfill



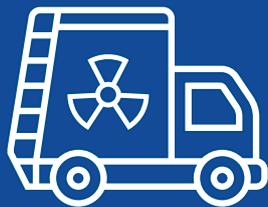
2017 - 899
 2018 - 1,103
 2019 - 1,244

Total

2017 **418,896**
 2018 **497,085**
 2019 **672,238**

HAZARDOUS WASTE (tonne)

Includes waste lamp, waste engine oil, waste battery, waste reagent, waste activated carbon, etc.



Disposal by licensed hazardous waste collectors

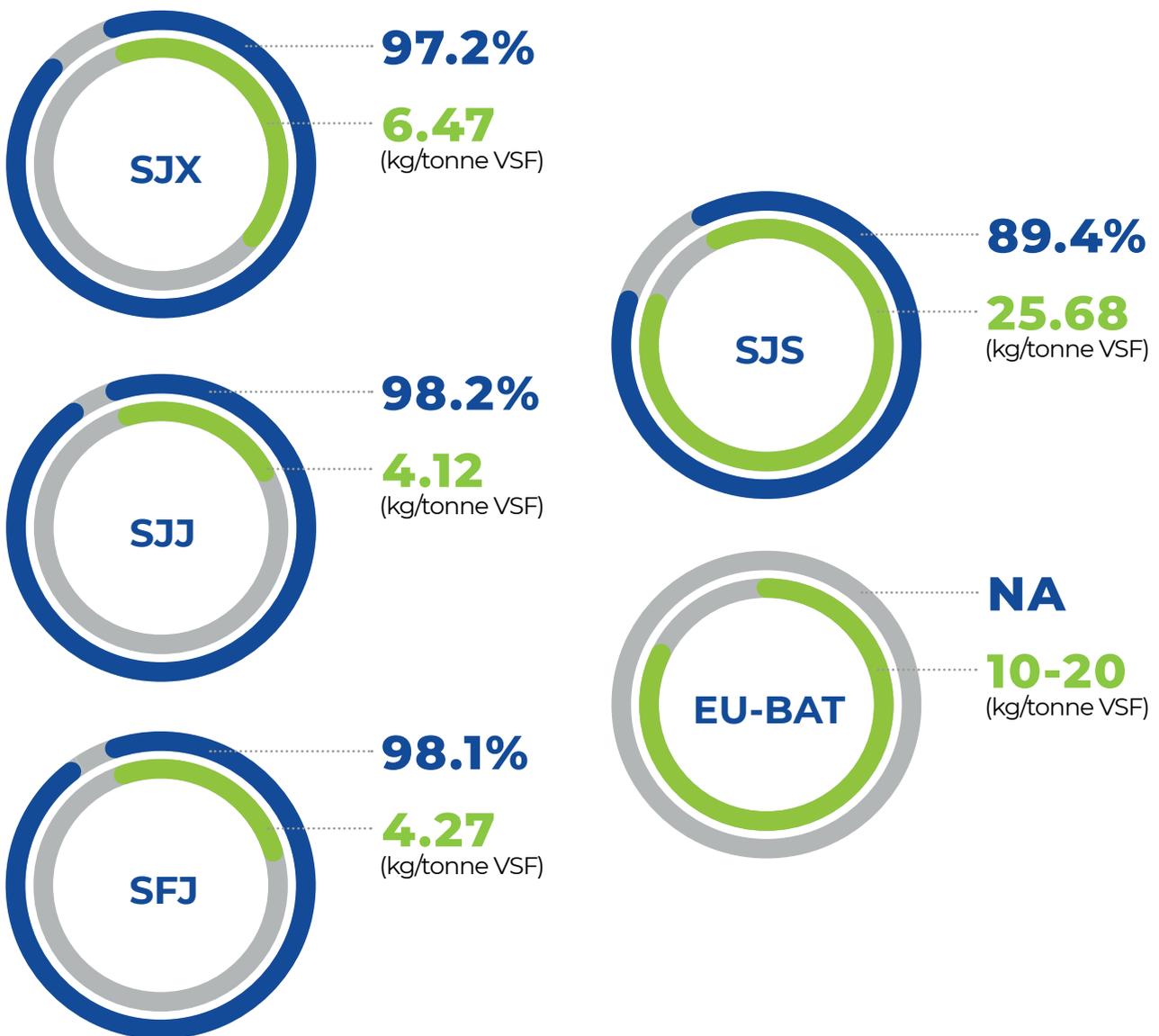
2017 - 274
 2018 - 510
 2019 - 445

Site-level Data: Environmental Performance of Each Viscose Mill

In pursuit of the greater level of transparency, we disclose site-level environmental performance for our viscose mills. This will enable interested stakeholders to interpret our environmental impacts in a localised context.

SJS was acquired in 2019 and a new addition to the reporting scope. Its performance was slightly below our other established mills for some environmental parameters. Leveraging Sateri's experience and advanced technological expertise in viscose production, we will improve its environmental as well as health and safety standards through environmental upgrades and process optimisation.

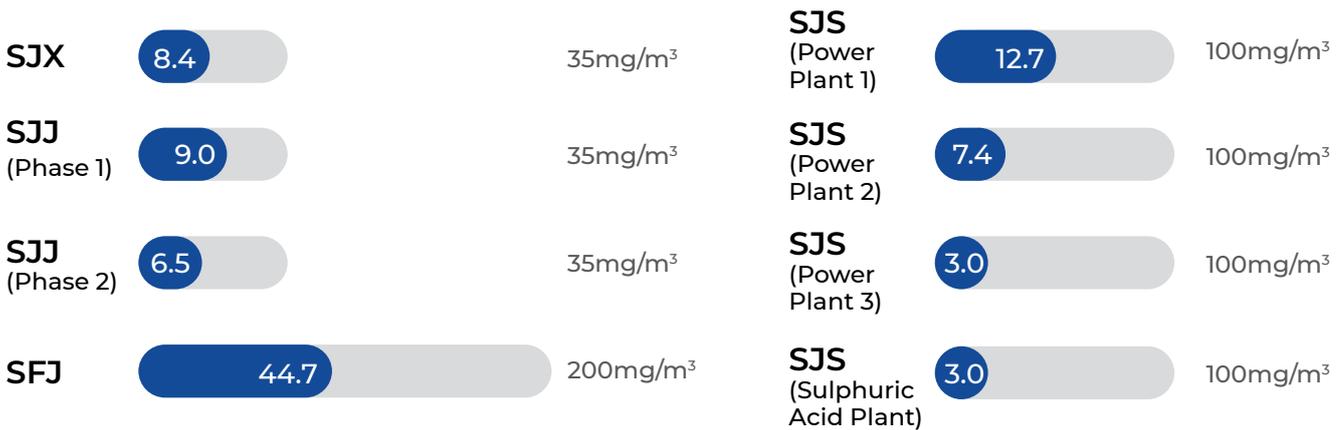
Waste gas emissions



■ Total Sulphur recovery rate

■ Specific Sulphur emissions to air (kg/tonne VSF)

SO² Concentration (mg/m³) – Power Plant



● Emission concentration in 2019

● Emission concentration limit

SO₂ Concentration (mg/m³) – Viscose Production Process



● Emission concentration in 2019

NO_x Concentration (mg/m³) – Power Plant



● Emission concentration in 2019

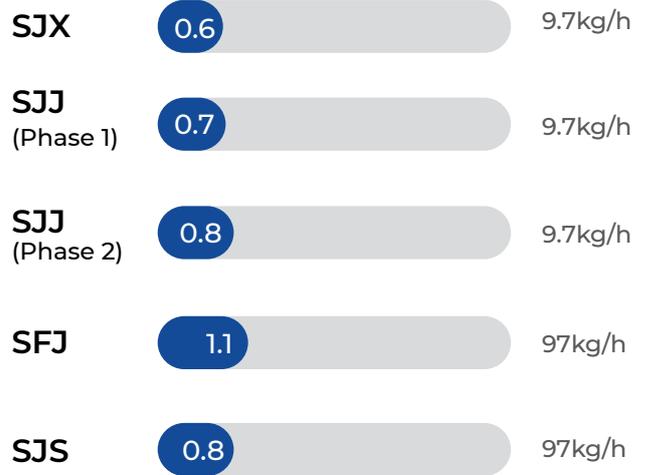
● Emission concentration limit

CS₂ Concentration (mg/m³)



● Emission concentration in 2019

CS₂ emissions rate (kg/h)



● Emission concentration in 2019

● Emission concentration limit

H₂S Concentration (mg/m³)



● Emission concentration in 2019

H₂S emissions rate (kg/h)

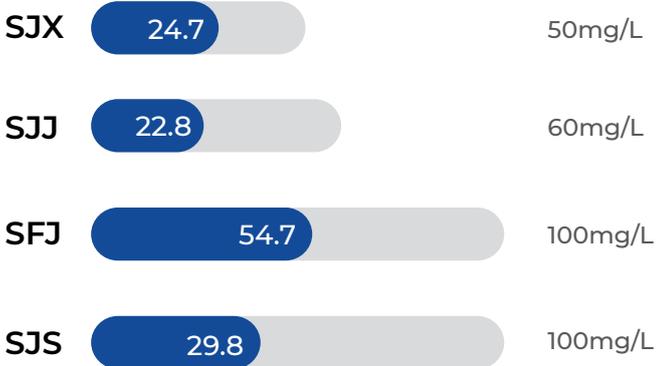


● Emission concentration in 2019

● Emission concentration limit

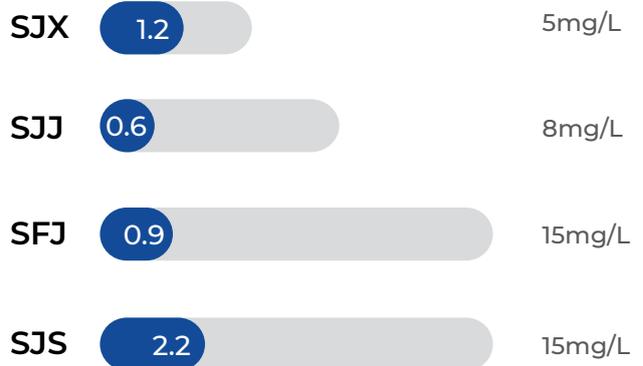
Wastewater

COD Concentration (mg/L)



■ Emission concentration in 2019
■ Emission concentration limit

NH₃-N concentration (mg/L)



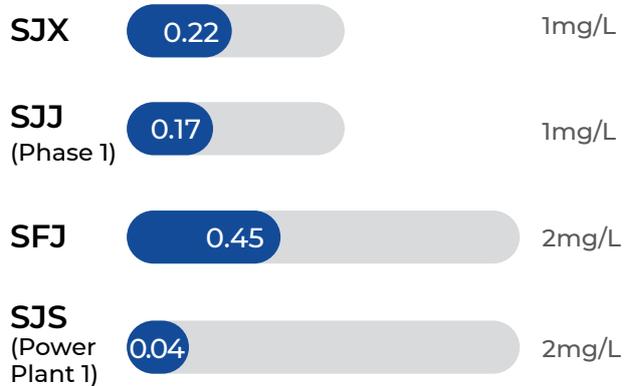
■ Emission concentration in 2019
■ Emission concentration limit

S²⁻ Concentration (mg/L)



■ Emission concentration in 2019
■ Emission concentration limit

Zn concentration (mg/L)



■ Emission concentration in 2019
■ Emission concentration limit

Environmental Performance of Linz Nanjing Fiber Yarn Factory

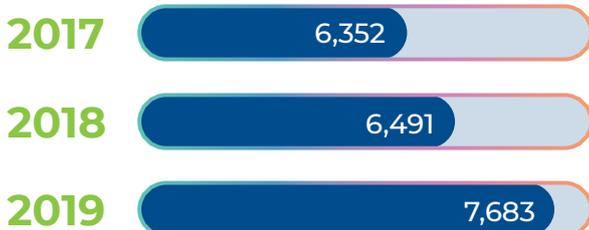
Linz Nanjing is a yarn factory which spins viscose fibre into yarns. Due to the difference in the manufacturing processes and equipment used, the environmental performance of Linz Nanjing is reported separately and summarised in the table below. Linz Nanjing purchases electricity from the grid for its energy consumption and there is no onsite power plant associated. The main waste gas pollutant from Linz Nanjing is dust from its production process. Linz Nanjing purchases tap water for its operations and production processes.

Table 13: Environmental performance of Linz Nanjing Fiber Yarn Factory

Output

Viscose yarn spun

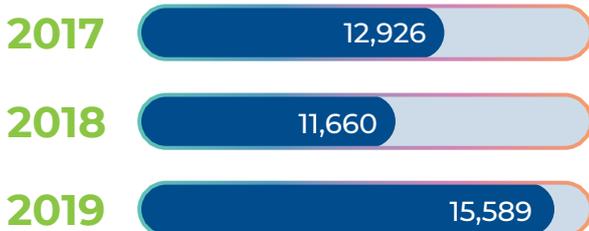
tonne



Water usage

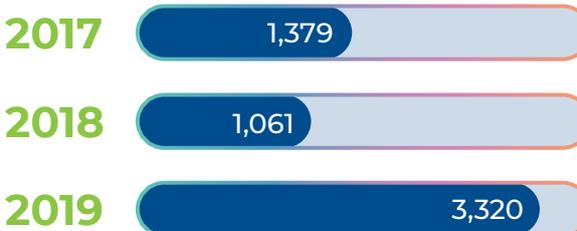
Water withdrawal – third party water

m³



Water discharge – to wastewater treatment plant

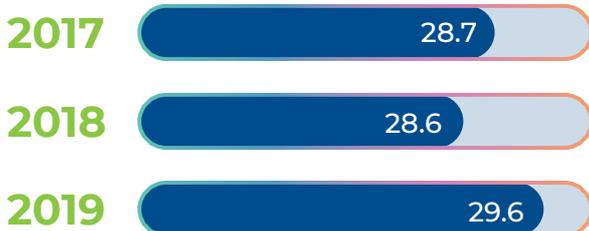
m³



Solid waste

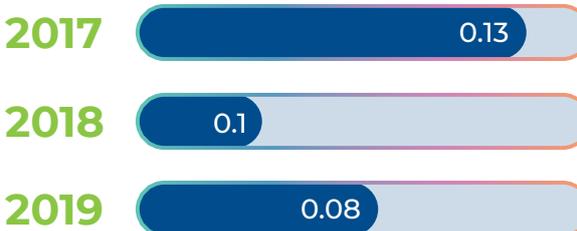
Non-hazardous general waste - Sold to third parties for recycling or reuse

tonne



Hazardous waste - Disposal by a licensed hazardous waste collector

tonne

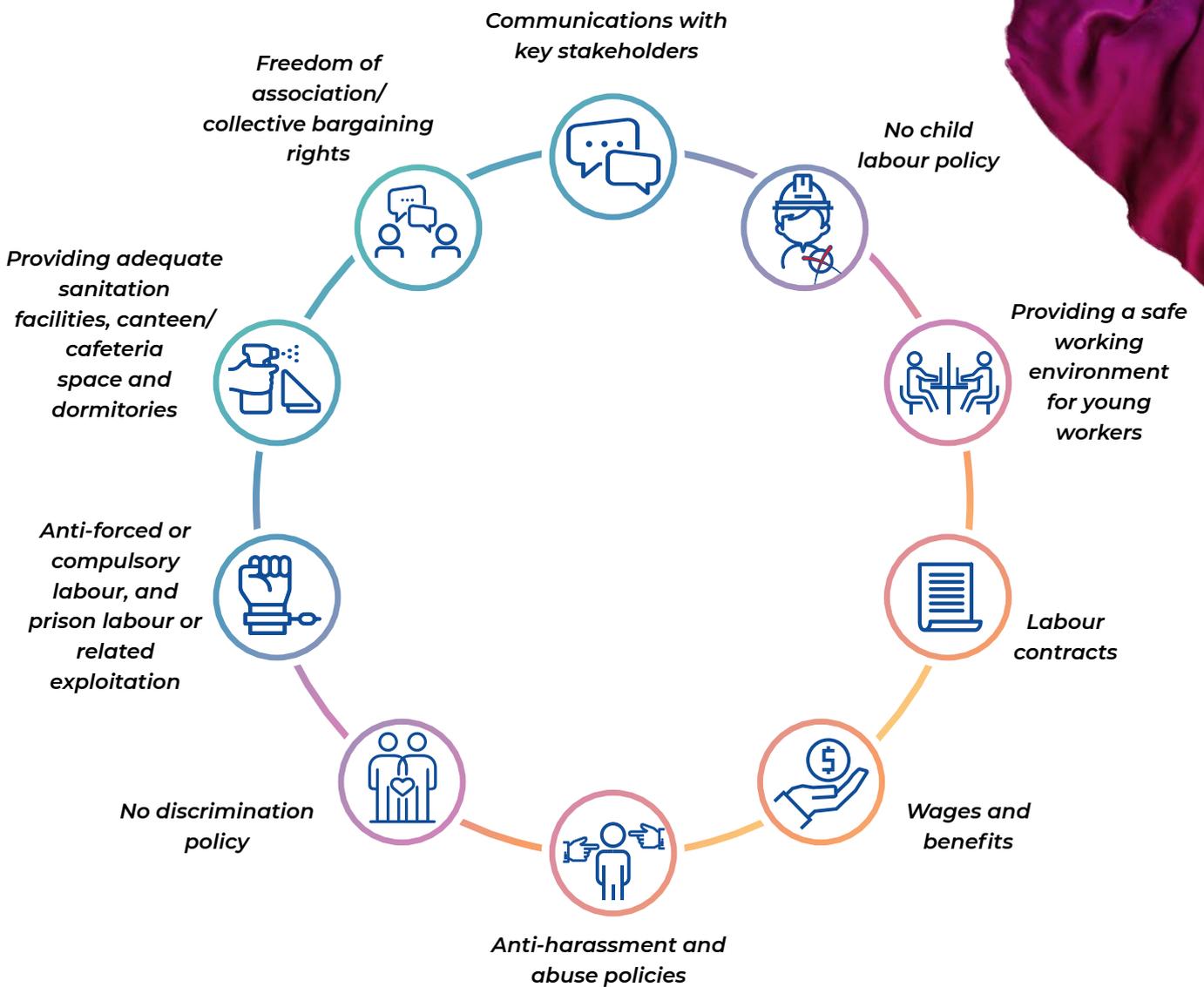




EMPOWERING PEOPLE

The corporate culture of the Sateri is built on deep care and mutual respect for the people. We respect the human and labour rights of all employees and business partners. We invest in our people through training and career development programmes and ensure their health and safety at work. By creating a safe, fair and progressive working environment, we empower our employees to achieve their fullest potential. At the same time, we also strive to bring about positive social impacts on the local community.

Three of Sateri's viscose mills have received the OEKO-TEX® STeP certification¹⁴ for responsible production. This certification signifies that Sateri complies with The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, as well as the United Nations Universal Declaration of Human Rights. The certification also states that Sateri complies with relevant international conventions in the following areas for a socially responsible working environment.



Note:

¹⁴For details, please refer to OEKO-TEX® STeP Standards at https://www.oeko-tex.com/importedmedia/downloadfiles/STeP_by_OEKO-TEX_R_-_Standard_en.pdf

Fair Labour Practices

Sateri is committed to protecting the rights and interests of its employees. Cognisant of the frequent report of violation of human or labour rights in the textile industry, Sateri has put in stringent corporate governance procedures to avoid the risks of such violations.

We seek to prevent any workplace discrimination based on race, religion, gender, age, marital status, disability, or nationality. Sateri complies with both international conventions and national laws to avoid any incidences of child or forced labour. 100% of Sateri employees are provided with a total remuneration package that meets or exceeds prevailing industry standards. We also conduct regular salary review by benchmarking against industry peers and local areas to remain competitive.

Sateri's mills have established trade unions that carry out communications on employee rights and represent employees for collective bargaining. Sateri encourages employees to join the trade union to participate in related activities, meetings, and decision-making processes. Currently, more than 67% of all employees in Sateri's mills have joined the trade union. The trade union consists of several sub-committees, each dedicated to issues such as labour relation negotiation, female workers representation, budget reviewing etc. Committee members strive to assist workers in obtaining fair negotiation and addressing workers' feedback.

In an effort to build an open relationship with its employees, Sateri offers multiple channels for communication and lodging complaints, such as through email, whistleblowing hotlines and social media platforms. Any complaints received will be dealt with careful investigation and a formal response will be delivered to the complainant. Substantiated complaints will result in disciplinary actions. We also duly protect the anonymity of the complainant to prevent any possible retaliation. In 2019, we did not receive any employee complaints.

Table 14: Key statistics about our workforce



Total Number of employees
4,456



Male
3,099



Female
1,357



China
4,453



Singapore
3



Function staff
4,140



Middle management
303



Senior management
13

We are committed to empowering our employees through training and career development to help them fulfil their career aspirations. We believe a well-trained and motivated workforce helps drive continued growth for the company. We embrace the concept of systematic and continued training, and established the Sateri Learning Institute (SLI) in 2017 to design and coordinate overall training plans for the employees at the mill level. SLI develops training plans to provide diverse training activities relevant to employee's professional and personal development annually. Examples of training programmes offered include:

Orientation training

- Introduce new hires to Sateri's corporate value and code of conduct, including our deep commitment to sustainability
- Apprenticeship programme to introduce new employees to important skills and knowledge as a fibre professional

Specialised training

- Provide diverse training on specialised topics such as marketing skills, cost accounting, safe production, fibre technologies and processing techniques, operation of machinery etc.

Leadership training

- Provide leadership skills training to the management team, focusing on important leadership traits such as people management, presentation, critical thinking, decision-making etc.

"Train the trainer"

- Groom internal trainers by equipping participants with the necessary skills and knowledge to deliver effective classroom training.



At the end of the year, the management organises a year-end meeting to report on the work done on training and development during the year, share the outcome of key programmes, reflect on areas of improvement and develop an action plan for the next year. Below is a table for the performance highlights of SLI in 2019.

Table 15: Performance highlights of SLI in 2019



Note:

¹⁵All Sateri's workforce are permanent full-time employees.

TO BE SATERI EAGLE!

"To be Sateri Eagle!" is SLI's flagship leadership programme. It identifies employees of high calibre and aims to groom them to be the next generation of management. The programme has a three-prong focus on leadership skills, professional competencies and Sateri's corporate value. The programme deploys a wide range of learning methods including lectures, case study discussions and analysis, interactive games, study tours, and individual assessments. In 2019, two classes of candidates have graduated from the programme, with a total of 54 participants, who went on to take up greater responsibility at work.

During the year, a total of 480,500 hours of training were offered to employees. The average hours of training per employee per year were 108 hours in 2019, a significant increase from 69 hours per employee in 2018. The table below shows the average hours of training per employee by gender and by employee category.

Table 16: Average hours of training per employee by gender and by employee category



OCCUPATIONAL HEALTH AND SAFETY

We place health and safety as a top priority in our operations. In recent years, there have been several chemical safety accidents happening in China. We take these as lessons and constantly remind ourselves to be vigilant and meticulous in ensuring the safety of our workers.

To prevent, minimise and manage health and safety risks, we adhere to our established SOPs and contingency plans. Sateri's viscose mills and yarn factory have in place a safety management system in line with ISO 45001 standard. There is an EHS committee, which consists of senior management, department managers, and function staff. They are responsible for the monitoring and management of overall safety performance of our operations, including but not limited to the identification and control of safety hazards, the establishment of a safe production process, safety awareness and training, emergency preparedness and response, the prevention and monitoring of safety accidents and occupational diseases.

We also make sure our workers understand the potential safety hazards and how to protect themselves by providing regular safety refresher courses to all employees working in our plants. To encourage a strong safety culture, we also organised employee-sharing sessions and focus groups to actively participate in the discussion of workplace safety. To make safety learning more engaging, we conducted a variety of interactive activities, such as safety knowledge contests and recognise outstanding departments or individuals in safety practices to keep occupational safety always at the front of employee's minds.

Sateri regularly conducts safety hazard inspections and safety acceptance checks of new projects to ensure safety is always prioritised. In 2019, Sateri's viscose mills and Linz Nanjing rectified 100% of their identified safety hazards. Sateri also conducted multiple chemical spill drills and fire emergency drills at each of its mills to improve employee's emergency preparedness.

We have also established an occupational disease prevention system and created an occupational health management working group to regularly track the performance of the company's occupational hazard prevention measures. Our occupational health and safety measures include:

- Identifying and detecting occupational hazards
- Informing employees of occupational hazards and exposure risks through employment contracts or onsite notification boards
- Providing physical examinations and creating occupational health records for employees who have occupational exposure risks
- Providing employees with occupational disease protection supplies and regularly conduct associated training

We are pleased to report that 100% of employees working in Sateri's plants have received health and safety training and 100% of employees have received health-check coverage for occupational diseases in 2019. There were zero incidents of occupational health and safety (OHS) related non-compliance during the year. More OHS performance is illustrated in the table below.



100%

of employees working in Sateri's plants receiving health and safety training

Proportion of employees receiving health-check coverage for occupational diseases.

Table 17: OHS performance

		2017	2018	2019
Fatalities due to work-related injury or occupational disease¹⁸	Number of incidents	0	1	0
	Rate (per 200,000 hours worked) ¹⁹	NA	NA	0
Lost time injuries²⁰	Number of incidents	NA	NA	8
	Rate (per 200,000 hours worked)	0.16	0.20	0.14
High-consequence work-related injuries²¹	Number of incidents	NA	NA	1
	Rate (per 200,000 hours worked)	NA	NA	0.02
Incidents of work-related ill health²²	Number of incidents	0	0	0

We regret to report one case of high-consequence work-related injury during the year, which resulted in 148 lost working days. The incident was caused by a fall from height. We took this incident seriously and had since put procedures in place to prevent future happenings. For example, we have set up an SOP on the use of ladders, including their proper maintenance and labelling.

Note:

¹⁶Since the spinning of viscose yarn does not involve much use of chemicals, chemical spill drill was not conducted in Linz Nanjing plant. Still, fire drill was conducted in Linz Nanjing.

¹⁷OHS data for 2017 and 2018 were reported in accordance with GRI403 (2016 Standards), while the 2019 data was reported in accordance with GRI 403 (2018 Standards). Due to the changes in the reporting standard, for selected indicators, data was not available for 2017 and 2018.

¹⁸Number of workplace deaths due to work-related injury or occupational disease, as defined by Chinese Law.

¹⁹Rate (per 200,000 hours worked) = (Number of incidents)/(Number of hours worked)×200,000

²⁰A work-related injury or occupational disease, as diagnosed by a doctor, which causes the loss of at least one working day by an employee, or the employee to be able to perform only 50% or less of his or her normal workload without loss of a working day.

²¹A work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months, per GRI Standards.

²²Work-related ill health can include acute, recurring, and chronic health problems caused or aggravated by work conditions or practices, as defined by Chinese Law.

COMMUNITY DEVELOPMENT

Sateri is committed to advancing the socio-economic development of the regions where it has a presence through the provision of employment opportunities and indirect spillover effects. Through open communication, safe and eco-friendly operations as well as fair employment practice, we seek to ensure this development is inclusive, sustainable and mutually beneficial.

Sateri also contributes to community development projects through donations or in-kind, as well as volunteer services. We have identified focus areas where we can help make a sustainable difference to the community, which include environmental protection, education, poverty alleviation and disaster relief. In 2019, we contributed a total of more than USD 207,000 to public welfare investment. Sateri also encourages our employees to participate in volunteer activities, with 1,545 employees volunteering in various community causes for a total of 7,027 service hours.

SATERI EDUCATIONAL BURSARY

Education is a cause close to Sateri's heart. Sateri believes it is through education that we can make a long-lasting positive impact to individuals and the community. Since 2012, through the "Sateri Education Bursary Programme", Sateri has been providing financial support to students at Tongwen Middle School in Jiujiang City. Every year, Sateri sponsors a total of USD 14,800, among which USD 8,880 is awarded to 120 students with excellent academic performance and the remaining USD 5,920 is given to another 40 students from humble background. In 2019, another USD 7,400 worth of education bursaries were given to students from not-well-to-do families in Gutang Town, Jiujiang City. This long-term provision of education bursaries helps to lessen the financial burdens on students in need and assist them to finish their studies.



BUILDING INFRASTRUCTURE FOR COMMUNITY DEVELOPMENT

Road is the bloodline for people to move around to conduct their economic and social life. Therefore, access to good quality road is at the centre of building a strong community. There are more than 2,000 residents in Xishan Village, most of whom work in nearby factories. The villagers travel in and out of the village every day, relying on a dilapidated unpaved road, which is covered with gravel and dust. The village lacked the financial capacity to upgrade this road. After SJJ learned of this situation, it fully assumed the cost of USD 44,400 to build a paved road. This road was named as "Sateri Road" by villagers as part of their appreciation for Sateri's generous donation.



ECOCOSY® YANGTZE RIVERBANK CHARITY WALK

On 2nd June 2019, Sateri organised an ECOCOSY® Charity Walk along the riverbank of the Yangtze River in collaboration with the municipal government of Jiujiang City. Combining the elements of "sport" and "charitable cause", this event is an innovative way for community building. For every participant who completed a 10km walk, USD15 was donated to the "Jiujiang Educational Fund" which supported students with financial difficulties. Aside from the educational cause, the event also promoted a healthy and low-carbon lifestyle.

This event received overwhelming support from the local community. On the event day, more than 1,000 contestants turned up with another nearly 2,000 spectators. The great participation and turnout received extensive media coverage and positive societal feedback.

GRI INDEX

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
DISCLOSURE TITLE					
GRI 102 General Disclosures 2016	Organisational Profile				
	102-1	Name of the organisation	Sateri at A Glance	8	
	102-2	Activities, brands, products, and services	Sateri at A Glance Circularity and Innovation	8-9 26	
	102-3	Location of headquarters	Sateri at A Glance	8	
	102-4	Location of operations	Sateri at A Glance	8	
	102-5	Ownership and legal form	Sateri at A Glance	8	
	102-6	Markets served	Sateri at A Glance	8	
	102-7	Scale of the organisation	Sateri at A Glance Fair Labour Practices	8 55	Net sale and total capitalisation is not disclosed as Sateri is a private company without any regulatory obligations to report its financial performance.
	102-8	Information on employees and other workers	Fair Labour Practices	55-59	Workers who are not employees do not perform a significant proportion of Sateri's activities. There are no significant variations in the number of employees reported.
	102-9	Supply Chain	Circularity and Innovation Traceability and Transparency Sustainable Sourcing of Pulp	26 28 34-37	
	102-10	Significant changes to the organisation and its supply chain	Sateri at A Glance	8-9	Please refer to pages 8-9 on expansion of Sateri. There is no significant changes to supply chain.
102-11	Precautionary principle or approach	NA		The Precautionary Principle is not applied.	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
DISCLOSURE TITLE					
GRI 102 General Disclosures 2016	Organisational Profile				
	102-12	External initiatives	Collaborations and Advocacy Respecting the Environment Community Development	29-30 34-37 60	
	102-13	Membership of associations	Collaborations and Advocacy Certifications	29-30 31-32	
	Strategy				
	102-14	Statement from senior decision maker	President's Message	5-7	
	102-15	Key impacts, risks, and opportunities	Managing Sustainability	15-24	
	Ethics and Integrity				
	102-16	Values, principles, standards, and norms of behaviour	Managing Sustainability	15-24	
	102-17	Mechanisms for advice and concern about ethics	Managing Sustainability	15-24	
	Governance				
	102-18	Governance structure	Sustainability Governance	24	
	102-19	Delegating authority	Sustainability Governance	24	
	102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance	24	
	102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement Materiality Assessment	14-16 17-18	
	102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Governance	24	
	102-29	Identifying and managing economic, environmental, and social impacts	Materiality Assessment	17-18	
	102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	24	
102-33	Communicating critical concerns	Stakeholder Engagement	14-16		

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
GENERAL DISCLOSURES					
GRI 102 General Disclosures 2016	Stakeholder Engagement				
	102-40	List of stakeholder groups	Stakeholder Engagement	14-16	
	102-41	Collective bargaining agreements	Fair Labour Practices	55-57	
	102-42	Identifying and selecting stakeholders	Stakeholder Engagement	14-16	
	102-43	Approach to stakeholder engagement	Stakeholder Engagement	14-16	
	102-44	Key topics and concerns raised	Stakeholder Engagement Materiality Assessment	14-16 17-18	
	Reporting Practice				
	102-45	Entities included in the consolidated financial statements	NA	NA	As a private company, Sateri does not publish consolidated financial statements
	102-46	Defining report content and topic boundaries	Materiality Assessment	17-18	
	102-47	List of material topics	Materiality Assessment	17-18	
	102-48	Restatements of information	Progress on 2020 Goals Clean Manufacturing	20-23 42	Water withdrawal and specific sulphur to air rate for 2018 are restated. Please refer to footnotes in "Clean Manufacturing" for more details.
	102-49	Changes in reporting	Materiality Assessment	17-18	The structure and content of the report have been revamped based on the new list of material topics from the materiality assessment. The chapter on Leading the Change is a new addition.
	102-50	Reporting period	About the Report	12	
	102-51	Date of most recent report	About the Report	12	
	102-52	Reporting cycle	About the Report	12	
	102-53	Contact point for questions regarding the report	About the Report	12	
	102-54	Claims of reporting in accordance with the GRI Standards	About the Report	12	
	102-55	GRI content index	GRI Content Index	61-67	
	102-56	External assurance	About the Report Independent Assurance Report	12 68	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
ENVIRONMENTAL					
GRI 302 Energy					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Climate Change	38-39	
	103-2	The management approach and its components	Climate Change	38-39	
	103-3	Evaluation of the management approach	Climate Change	38-39	
GRI 302 Energy 2016	302-3	Energy intensity	Climate Change	38-39	
GRI 303 Water and Effluents					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	17-18	
	103-2	The management approach and its components	Clean Manufacturing	40	
	103-3	Evaluation of the management approach	Clean Manufacturing	40	
GRI 303 Water and Effluents 2018	Management Approach				
	303-1	Interactions with water as a shared resource	Clean Manufacturing	40	
	303-2	Management of water discharge-related impacts	Clean Manufacturing	44-45	
	Topic-Specific Disclosure				
	303-3	Water withdrawal	Clean Manufacturing	43	
	303-4	Water discharge	Clean Manufacturing	44-45	
GRI 305 Emissions					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Climate Change	17-18 38-39	
	103-2	The management approach and its components	Climate Change	38-39	
	103-3	Evaluation of the management approach	Climate Change	38-39	
GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Climate Change	38-39	
	305-2	Energy indirect (Scope 2) GHG emissions	Climate Change	38-39	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
ENVIRONMENTAL					
GRI 307 Environmental Compliance					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Clean Manufacturing	17-18 40-52	
	103-2	The management approach and its components	Clean Manufacturing	40-52	
	103-3	Evaluation of the management approach	Clean Manufacturing	40-52	
GRI 307 Environment Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Clean Manufacturing	40-52	
GRI 308 Supplier Environmental Assessment					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Sustainable Sourcing of Pulp	17-18 34-37	
	103-2	The management approach and its components	Sustainable Sourcing of Pulp	34-37	
	103-3	New suppliers that were screened using environmental criteria	Sustainable Sourcing of Pulp	34-37	
GRI 308 Supplier Environment Assessment 2016	308-1	Negative environmental impacts in the supply chain and actions taken	Sustainable Sourcing of Pulp	34-37	
	308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Sourcing of Pulp	34-37	
SOCIAL					
GRI 403 Occupational Health and Safety					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Occupational Health and Safety	17-18 58-59	
	103-2	The management approach and its components	Occupational Health and Safety	58-59	
	103-3	Evaluation of the management approach	Occupational Health and Safety	58-59	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
SOCIAL					
GRI 403 Occupational Health and Safety 2018	Management Approach				
	403-1	Occupational health and safety management system	Occupational Health and Safety	58-59	
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	58-59	
	403-3	Occupational health services	Occupational Health and Safety	58-59	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	58-59	
	403-5	Worker training on occupational health and safety	Occupational Health and Safety	58-59	
	403-6	Promotion of worker health	Occupational Health and Safety	58-59	Currently, Sateri does not have any programme on non-occupational medical and healthcare services, other than medical insurance provided to employees per local law.
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NA		Currently, Sateri does not have any programme on the prevention and mitigation of occupational health and safety impacts among its business partners
	Topic-Specific Disclosure				
403-9	Work-related injuries	Occupational Health and Safety	59	Workers who are not employees but whose work and/or workplace is controlled by Sateri is not included in the data disclosed, due to unavailability of data. Sateri will consider collecting safety data for this group of workers and report the performance in future reporting periods.	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	CHAPTER	PAGE NUMBER	REMARKS
SOCIAL					
GRI 404 Training and Education					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Fair Labour Practices	17-18	
	103-2	The management approach and its components	Fair Labour Practices	55-57	
	103-3	Evaluation of the management approach	Fair Labour Practices	55-57	
GRI 404 Training and Education 2016	404-1	Average hours of training per year per employee	Fair Labour Practices	55-57	
	404-2	Programs for upgrading employee skills and transition assistance programs	Fair Labour Practices	55-57	
GRI 406 Non-discrimination					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Fair Labour Practices	17-18 55-57	
	103-2	The management approach and its components	Fair Labour Practices	55-57	
	103-3	Evaluation of the management approach	Fair Labour Practices	55-57	
GRI 406 Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Fair Labour Practices	55-57	
GRI 414 Supplier Social Assessment					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Sustainable Sourcing of Pulp	17-18 34-37	
	103-2	The management approach and its components	Sustainable Sourcing of Pulp	34-37	
	103-3	Evaluation of the management approach	Sustainable Sourcing of Pulp	34-37	
GRI 414 Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Sustainable Sourcing of Pulp	34-37	
	414-2	Negative social impacts in the supply chain and actions taken	Sustainable Sourcing of Pulp	34-37	



ASSURANCE STATEMENT

SGS-CSTC'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SUSTAINABILITY REPORT OF SATERI (SHANGHAI) MANAGEMENT LIMITED FOR 2019

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 English Version of Sateri Sustainability Report 2019 (hereafter as "the Report"). 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 which located at 23rd Floor, East Tower, Zhongrong Hengrui International Plaza, 620 Zhangyang Road, Pudong, Shanghai, China. The other affiliates were not included in this assurance process.

The information in the Sateri Sustainability Report 2019 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 2019.

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 the guidance on levels of assurance contained within the AA1000 series of standards 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 more than 2,600 affiliates in more than 140 countries. 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 Sustainability Reporting Auditor and CCAA ISO 14001 and ISO45001 Auditor.

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 the Report verified is accurate, reliable and provides a fair and balanced representation of Sateri sustainability activities in 2019.

The assurance team is of the opinion that the Report can be used by the Reporting organisation's stakeholders.

SGS assurance team believe that the organisation has chosen an appropriate option for the reporting.

GRI STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

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

Principles

Stakeholder Inclusiveness

Sateri determined its stakeholders relevant to its activities with planning methodology and considered the reasonable expectations and interests, establishes the channels and platforms for stakeholder inclusiveness and took various ways to communicate and interact with stakeholders.

Sustainability Context

Sateri presented its efforts and achievements to the sustainable development in economic, environment and social aspects.

Materiality

Based on the determined topics concerned by the stakeholders, Sateri has considered reasonably disclosing material issues and indicators, which substantively influence the assessments and decisions of stakeholders, to reflect the organisation's significant economic, environmental and social impacts.

Completeness

The Report basically covered the identified material aspects and their boundaries and relatively completely reflected the significant impacts on economy, environment and society.

Balance

The Report basically complied with the balance principle.

Comparability

The Report disclosed performance indicators of Sateri in 2019, some performance indicators were disclosed for the past years for comparison.

Accuracy

The information in the Report was accurate. The Report disclosed more qualitative and quantitative information on performance for stakeholders.

Timeliness

The data and information in the Report was on a regular schedule and available in time. Sateri will report on a regular schedule with one year to assure the good timeliness.

Clarity

The Report used various expression ways such as words, charts, graphs, photos and combination with the case analysis, it will be easily understood by stakeholders.

Reliability

Sateri has established the management process about the sustainability report, and it was timely collected, recorded and analyzed the information and data which disclosed in the report. The information and data disclosed in the report were realistic and reliable.

Management Approach

The Report disclosed the management approach of determined material topics.

General Disclosures

The general disclosures were presented in accordance with the core option of GRI Standards.

Topic-Specific Disclosures

Sateri's topic-specific disclosures related to the material topics in economic, environmental, and social areas were in accordance with the core option of GRI Standards.

Findings and recommendations

Details of best practices, findings and recommendations for continuous improvement were presented in SGS internal management report which has been submitted to Sateri.

Limitations of assurance

Due to novel coronavirus (COVID-19) epidemic influence and assurance process management, onsite visit was only happened at the Sateri head-office.

Signed by:**For and on behalf of SGS-CSTC**

David Xin Director
Country Headquarter 16/F Century Yuhui Mansion, No.73, Fucheng Road, Beijing, China
Dec. 4, 2020

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Sateri