



# **Sateri's Sustainability Report 2017**

## About the Report ▶▶

GRI 101、102-45、102-46、102-48、102-50、  
102-51、102-52、102-53、102-54

The Sustainability Report 2017 is the second by Sateri, a global leader in responsible and sustainable production of viscose from plantation wood and a member of the Royal Golden Eagle (RGE) group of resources-based companies.

The report states Sateri's sustainability philosophy and strategy and summarises its sustainability performance in 2017.

Sateri believes that it is crucial to communicate with all stakeholders and it is the hope that this report will help to promote better understanding of its sustainability efforts and collaboration in building win-win relationships.

### • Scope of the Report

Unless specified otherwise, the Report covers all of Sateri's mills and management offices, as listed below:

Entity	Abbreviation
Sateri (Shanghai) Management Limited	SSH
Sateri (Jiangxi) Chemical Fibre Co., Ltd.	SJX
Sateri (Fujian) Fibre Co., Ltd.	SFJ
Sateri (Jiujiang) Fibre Co., Ltd.	SJJ
Linz (Nanjing) Viscose Yarn Co., Ltd	Linz Nanjing

Information and data on human resources (e.g. total number of employees) include Sateri employees in the RGE Singapore Office and Nanjing Office. Statistical data about occupational health and safety, resources consumption and environmental emission are disclosed at the mill level. Detailed information about data scope is additionally listed in corresponding sections of this report.

**Reporting Period:** This report covers performance data for the calendar year 2017, as well as 2016 and 2018, where relevant, due to the nature of the topics discussed and for the purpose of performance comparison.

**Reporting Cycle:** This is an annual report, with the previous one released on October 3, 2017.

**Information restatement:** Due to change in measurement approach, this report contains eight information restatements, with notes in the *Sustainability Management* and *Our Environment* sections.

### • Reference and Source of Data

The report was prepared according to the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards 2016), with detailed GRI standard content index listed at the end of the Report (p. 89-94).

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

### • External Assurance

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

### • Language

This report is released in Chinese and English.

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## CEO Message

GRI 102-14、102-15

It is my pleasure to welcome you to Sateri's 2017 Sustainability Report, our second annual sustainability report, communicating our commitments and progress towards sustainable business practices.

For Sateri, we believe integrating sustainable practices across our operations is essential to ensuring our long-term success. For this reason, we are working continuously to implement sustainability in appropriate structures, processes, ways of thinking and acting to embed this within all areas of the Company.

In this report, we are pleased to share how we have fared in the year 2017. It details the progress we have made over the past 12 months as well as the areas we can improve. In particular, we have committed to increasing the number of indicators being discussed and disclosed compared to the 2016 report. We have made this commitment to further establish our responsiveness to stakeholder concerns and commitment to transparency and accountability.

Since our first Sustainability Report last year, our total viscose production capacity has increased by more than 30% to 800,000 tonnes per annum, making Sateri one of the largest viscose producers in the world, and the largest in China.

We do not merely expand to meet the needs of the market. We also aim to continually enhance our product offerings to optimise our customers' yarn spinning quality, productivity and efficiency. Sateri's Best Viscose Fibre Series ("BV"), introduced in 2017, is a gamut of customised products that offers optimal yarn quality, as well as excellent spinning efficiency in reduced energy usage and labour.

As one of the world's largest viscose producers, our scale affords us the opportunity to ensure viscose is more sustainable beyond our own operations. We believe this is our responsibility, and we are willing step up our own sustainability commitments to set the industry standard.

So while our footprint may be larger, we also work diligently to ensure that our



impact on the environment is minimised. To that end, we updated our pulp sourcing policy in 2017, and the 2020 targets we set for ourselves in the same year remain on track. Particularly on the raw material front, we substantially increased our uptake of certified/responsibly-sourced dissolving woodpulp (DWP) in 2017 to 91% of the total DWP volume sourced, up from 71% in 2016.

I am also pleased to report that our resolve to make responsible viscose has been recognised for its pioneering achievements. All of Sateri's mill operations have been awarded the Sustainable Textile Production (STeP) certification for responsible manufacturing of viscose, making us the first in the industry to have all of its mills certified to the rigorous sustainability standards set by the Swiss-based certification organisation OEKO-TEX®. In its assessment scoring, all our mills achieved the highest level for exemplary implementation of best manufacturing practices.

Sateri firmly believes that viscose can

be a sustainable product: its key raw material – dissolving hardwood woodpulp – is derived from renewable plantations and uses much less water than other plant-based materials; the product itself is 100% bio-based (Sateri's viscose has earned the Certified Bio-based Product Label by the United States Department of Agriculture), and is therefore recyclable. The key is to produce viscose sustainably, and we are driven by a clear sense of purpose to make it happen.

This is the motivation behind our active involvement in the co-founding of the Collaboration for Sustainable Development of Viscose (CV) in 2017, and the development of its three-year Roadmap. I am encouraged that the viscose industry has taken a proactive first step, with 10 of world's largest producers in China – collectively representing about 60% of the global production of viscose – coming together to work towards sustainable development of the viscose.

However, with rapid market growth and rising scrutiny over the sustainability performance of sourcing and production

of viscose, our industry alone cannot address the systemic challenges. We need to collaborate with the government, civil society organisations, suppliers and customers to find solutions. The key to our success is the willingness of all concerned parties to work together with a collective sense of purpose. In this context, we have also begun to engage a wider range of stakeholders to discuss and jointly seek solutions to address issues of concern.

Sustainability is a long-term commitment for Sateri. While I am pleased at the progress we have achieved over the past year, there is clearly more work to be done. We are committed to staying the course, and look forward to continuing meaningful engagement with stakeholders as we pursue a sustainable future.



Tey Wei Lin  
Chief Executive Officer

# Sateri's 2017 Sustainability Performance Highlights

## Sourcing



**91%**

percentage of PEFC™ or FSC® certified or controlled pulp



**20%**

an increase from Year 2016

## Production



Sateri's viscose mills were certified to STeP by OEKO-TEX®. Note: Sateri Fujian obtained the level-3 certificate in September 2017 (the highest level), and Sateri Jiangxi and Sateri Jiujiang obtained the level-3 certificate in April 2018



Sateri became the world's first viscose enterprise licensed to carry the MADE IN GREEN by OEKO-TEX® label in Year 2018



Viscose (white) of Sateri became certified 100% bio-based product by USDA in Year 2018



Textile and non-woven fibres (white) were certified to the skin friendly/hypoallergenic property by Hohenstein Institute



Textile fabrics containing 100% Sateri viscose (white) were certified to wear comfort property by Hohenstein Institute

## Industry Collaboration



Sateri collaborated with China Chemical Fibers Association, China Cotton Textile Association, Tangshan Sanyou and eight other viscose enterprises to establish the Collaboration for Sustainable Development of Viscose (CV)

## Environmental Management



**176** million  
RMB  
Environmental protection investment



**29**  
Full-time Environment, Health and Safety professionals



**0**  
Chemical spill incident

Sateri Jiujiang and Sateri Jiangxi conducted the second round of cleaner production audit and passed the inspection and acceptance of the completed improvements



**Green Contribution Golden Key Award**

Sateri Fujian received from China Chemical Fibers Association Grenial Fund "Green Contribution Golden Key Award"

## Resources Consumption



**49.4**  
tonnes per tonne of viscose fibre

Water consumption per unit product, consistent with that of Year 2016



**800**  
kilogrammes of coal equivalent per tonne of viscose staple fibre

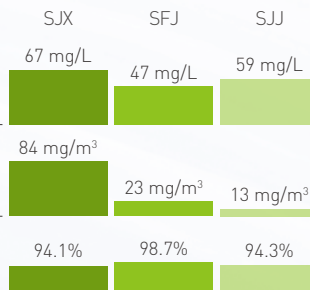
Energy consumption per unit product, consistent with that of Year 2016

## Emission

**Chemical Oxygen Demand (COD) emission:** an decrease of more than **7.8%** compared with those of Year 2016  
COD emission per unit product: 3.03 kilogrammes per tonne of product, a decrease of **13.7%** compared with that of Year 2016

**Sulphur dioxide (SO<sub>2</sub>) emissions from boilers:** a decrease of more than **7.7%** compared with those of Year 2016

**Carbon disulphide (CS<sub>2</sub>) total sulphur recovery**



**Our Products and Services**

**Our Environment**



## Our Employees

### Employees Recruitment and Development



3,251

Full-time employees in China and Singapore



17%

Increase from Year 2016



192,293 hours

Employees training hours in all operating mills



40%

Increase from Year 2016

### Occupational Health and Safety



0.16

Total loss-time injury frequency rate (LTIFR) per 200,000 hours worked in viscose mills



64%

Decrease from Year 2016

0

Total loss-time injury frequency rate (LTIFR) per 200,000 hours worked in Linz Nanjing



0

Work-related fatalities in all operating mills

## Our Community

### Voluntary Service



2,949 hours

Volunteer service

### Community Investment



RMB 19 million (US \$ 2.77 million)

Public charitable investment

### Awards

## Public Welfare Innovation Award 2017 Annual Public Welfare Practice Award

Sateri's Happy Reading project was awarded "Public Welfare Innovation Award" for 2017 Chinese Enterprises with Foreign Investment in Social Responsibility Practice and "2017 Annual Public Welfare Practice Award", as well as selected as one of "2017 Corporate Social Responsibility Practice Examples of Chinese Enterprises with Foreign Investment".

# About Sateri

GRI 102-1, 102-3, 102-4, 102-6, 102-7, 102-10

Sateri, a member of the Royal Golden Eagle (RGE) Group, is one of the leading companies in the viscose industry. Having acquired the technology and expertise from Finland, its modern viscose mills use 100% dissolving wood pulp from trees grown on plantations as the raw materials to produce high-quality viscose products, which are widely used in various textiles and non-woven hygiene products to offer good user experience.

Sateri began operations in China in 2002 as the first wholly foreign-owned cellulose company. Presently, Sateri is the largest viscose enterprise boasting three viscose mills and one viscose yarn mill, and is poised to become one of the world's largest viscose manufacturers after it has completed its expansion plan (including construction of new mills and capacity expansion of existing mills). In 2017, Sateri achieved viscose production of 620,000 tonnes and employed 3,251 people in China and Singapore. Sateri's marketing and sales network serves major markets including China, Indonesia, Turkey, Pakistan and other Asian and European countries.

Sateri has developed and strictly implemented its Pulp Sourcing Policy and Sustainability Policy. It encourages its suppliers to adopt international standards and practices, and to operate and manage their production sites in a sustainable manner, in order to provide customers with sustainable viscose products.

In addition to being one of the first viscose manufacturers to undertake the CanopyStyle<sup>[1]</sup> audit in the industry, Sateri is also the first viscose manufacturer to gain the STeP by OEKO-TEX® certification in China, and the first viscose enterprise to be licensed to use the MADE IN GREEN by OEKO-TEX® label globally. In March 2018, Sateri joined hands with China Chemical Fibres Association, China Cotton Textile Association and nine other viscose enterprises to establish the Collaboration for Sustainable Development of Viscose (CV), in order to further promote the sustainability development of the industry.

Note:

[1]. CanopyStyle is a sustainable fibre sourcing initiative which involves an audit process targeted towards manufactures of man-made cellulose under the principles and guidelines of Canopy (an International environmental NGO committed to the protection of rain forests, species, and climate), to ensure no pulp is sourced from ancient and endangered forests or controversial areas.



More information about Sateri can be found at [www.sateri.com](http://www.sateri.com).



Sateri Global Outreach



## Office

### Sateri office

#### Sateri Shanghai

- Headquarters
- Sateri's commercial and business development centre

### Other offices

Employees at **RGE Singapore**

Employees at **RGE Nanjing**

## Operating mills

### Viscose mills

#### Sateri Jiangxi (SJX)

- Jiujiang City, Jiangxi Province.
- SJX was the Company's first mill in China when it opened in 2004. It now has four lines



#### Sateri Fujian (SFJ)

- Putian City, Fujian Province
- SFJ is one of the world's newest and best designed viscose mills. It opened in 2013 and has four lines



#### Sateri Jiujiang (SJJ)

- Jiujiang City, Jiangxi Province
- SJJ acquired this mill in 2015. It now has five lines, of which two were added from 2016 to 2018



### Yarn-spinning mill

#### Linz Nanjing

- Nanjing City, Jiangsu Province
- Acquired by Sateri in 2016, this mill provides technical support for viscose products development



## Mills under construction

### Viscose mill

#### Sateri China (under construction)

- Jiujiang City, Jiangxi Province
- Its construction started in November 2017. It will be Sateri's largest mill upon completion of construction



Sateri's main products consist of textile fibres, non-woven fibres and viscose yarn.



## Product Value Chain



Cellulosic fibre is mainly made from wood cellulose. Fabric made from viscose has properties such as skin-friendliness/smoothness, breathability, and absorbency, etc. Viscose can be applied to clothes and home textiles, as well as disposable hygiene products that directly contact the human skin such as baby wipes, beauty masks and medical dressings, etc.

Sateri's viscose is made from 100% dissolving pulp, itself mainly derived from plantation trees. As a 100% bio-based product, Sateri's viscose is the ideal natural alternative to acrylic fibres, nylon fibre, polyester fibres and other petroleum-based synthetic fibres.





### 01 Dissolving pulpwood sourcing

Sateri primarily sources dissolving pulp from sustainably-managed eucalyptus and acacia plantations.

Sateri continuously increases its sourcing ratio of pulp from certified or controlled forests, establishes long-term partnerships with responsible suppliers, forest protection organisations and other stakeholders to protect High Conservation Values (HCV) & High Carbon Stock (HCS) forests, the rights of communities as well as workers, and implements best practices in sustainable Chain of Custody management.

### 02 Viscose production

Sateri's viscose mills process dissolving pulp into viscose. Adhering to the guidelines of "legal compliance, pollution prevention, energy saving and consumption reduction", as well as "continuous optimisation", the Company continuously increases its environmental investment, promotes the recycling of energy resources and chemicals, and mitigates environmental impact.

### 03 Yarn spinning

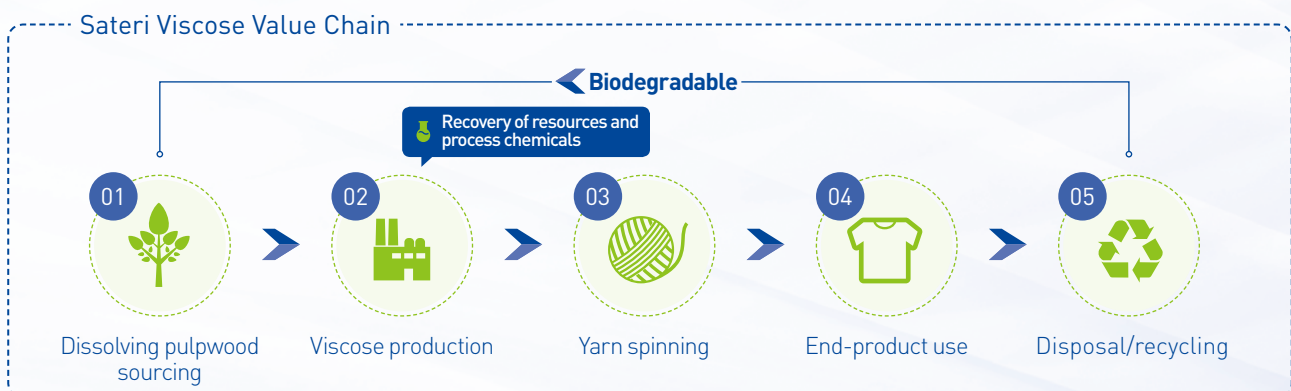
The spinning mills further process Sateri's viscose into yarns, which are supplied to downstream fabric enterprises. After the successful acquisition of Linz Nanjing, the Company further expanded its influence on the downstream industry chain, and carried out specific new product research and development (R&D) based on customer requirements to create differentiated products.

### 04 End-product use

The end-products of viscose include a wide range of textiles and skin-friendly hygiene products as apparels, home textiles, beauty masks and baby wipes, etc. Confirmed by STANDARD 100 by OEKO-TEX®, skin-friendly/hypoallergenic and comfort-wear certifications, Sateri's viscose products are free of any hazardous substance, and ensure a comfortable and safe user experience.

### 05 Disposal/recycling

The Company's viscose (white) is certified 100% bio-based product by United States Department of Agriculture (hereinafter referred to as "USDA") BioPreferred® Program. Bio-based products, through petroleum displacement, have played an increasingly important role in reducing greenhouse gas emissions. Meanwhile, viscose is biodegradable, which means that its end-products have little environmental impact after disposal.



## Certifications GRI 102-13

Sateri is the Vice President of China Chemical Fibers Association, and the Vice Chairman of Collaboration for Sustainable Development of Viscose (CV).

We adhere to international sustainability standards and best practices, and continuously optimise our sourcing, production and product management. The Company's products and operating mills have obtained the certifications listed below:

Area	Type	Description <sup>[1]</sup>
Products	 <p>STANDARD 100 by OEKO-TEX®</p>	<p>Developed by OEKO-TEX® Association in 1992, STANDARD 100 by OEKO-TEX® is the most prevalent textile eco-label worldwide, and defines limits of hazardous substance content of yarns, fibres and various textiles.</p> <p>All of Sateri's viscose products have passed the Class I test of STANDARD 100 by OEKO-TEX® and gained the OEKO-TEX® label license, demonstrating compliance with existing EU Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Appendix XVII and the requirements for total lead tolerance in children products in The Consumer Product Safety Improvement Act (CPSIA).</p> <p>Additionally, yarns produced by Linz Nanjing passed the certification in 2018.</p>
	 <p>MADE IN GREEN by OEKO-TEX®</p>	<p>MADE IN GREEN by OEKO-TEX® is a traceable product label enabling communication between each link along the textile value chain and end consumers. The label guarantees that the green textiles not only passed the hazardous substance test, but were also produced in a sustainable way.</p> <p>Sateri is the world's first viscose enterprise licensed to carry the MADE IN GREEN by OEKO-TEX® label.</p>
	 <p>USDA certified 100% bio-based product</p>	<p>Sateri's viscose (white) product is certified 100% bio-based by the USDA BioPreferred® Program.</p> <p>Bio-based products are made from renewable resources, including plants, animals, marine and forest resources. As the alternative to non-renewable petrochemicals, bio-based materials play a crucial role in mitigating greenhouse gas emissions.</p>
	 <p>Hohenstein Institute skin-friendly/hypoallergenic certification</p>	<p>Founded in 1946, Hohenstein Institute is the official drafting and issuing authority of STANDARD 100 by OEKO-TEX®, and also the largest authoritative textile research institute in Europe.</p> <p>Sateri's woven and non-woven fibres (white) passed the skin friendly/hypoallergenic certification by Hohenstein Institute, demonstrating that its fibres are mild and safe for sensitive skin.</p>
	 <p>Hohenstein Institute Wear comfort certification</p>	<p>Wear comfort vote is another certification issued by Hohenstein Institute, including 6 ratings: 1-1.5 = very good, 1.6-2.5 = good, 2.6-3.5 = satisfactory, 3.6-4.5 = sufficient, 4.6-5.5 = poor, 5.6-6 = unsatisfactory.</p> <p>Wear comfort vote of textile fabrics containing 100% Sateri viscose (white) is rated 1.3 (very good), the highest comfort level in terms of absorbency, breathability and skin feel.</p>





Area	Type	Description <sup>[1]</sup>
	 <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 non-controversial 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>STeP by OEKO-TEX®</p>	<p>STeP by OEKO-TEX® provides the public with a set of independent certification systems allowing brands, retailers and manufacturers to clearly, transparently and credibly disclose their achievements in sustainable production in the textile supply chain.</p> <p>STeP certification carries out comprehensive credible analysis of the candidates' sustainable management level in all relevant fields.</p> <p>Sateri's viscose mills have obtained level 3 certifications (highest level).</p>
Production	 <p>ISO 9001 Quality Management System Certification</p>	<p>ISO 9001 is considered as one of the most developed quality frameworks worldwide, adopted by over 750,000 organisations in 161 countries and regions. ISO 9001 certification helps enterprises improve in-house management, realise systematic and legal quality management, and ensure product quality.</p> <p>All Sateri's viscose mills have obtained the ISO 9001 certification.</p>
	 <p>ISO 14001 Environment Management System Certification</p>	<p>ISO 14001 demonstrates that the organisation meets the world standard in environmental management, and can fulfill requirements regarding its control over various pollutants generated in all processes, products and activities.</p> <p>All Sateri's viscose mills have obtained the ISO 14001 certification.</p>
	 <p>OHSAS 18001 (ISO 45001) Occupational Health and Safety Management System Certification<sup>[2]</sup></p>	<p>ISO 45001, formerly OHSAS 18001, is the foundation for organisations in implementing occupational health and safety management systems.</p> <p>SJX and SJJ have passed OHSAS 18001 certification, and SFJ is now preparing for the certification application.</p>

Note:

[1]. The logos of STANDARD 100 by OEKO-TEX®, MADE IN GREEN by OEKO-TEX®, STeP by OEKO-TEX® and CFCC/PEFC™ are given by SFJ as demonstrations.

[2]. SFJ started the OHSAS 18001 certification application in 2018.



# Sustainability Management

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As it continues to expand its business, Sateri ensures that sustainability remains a core priority within the organisation. This includes continuously optimising its management across its operations, strengthening its internal controls, actively engaging stakeholders, and implementing initiatives across its value chain including pulp sourcing, production, R&D, marketing, creating shared value for communities, and living out our corporate values.



# Sustainability Management System

## Sustainability Policy GRI 102-5、102-16

Sateri, as a member of RGE group, lives RGE's core values-Complementary Team, Ownership, People, Integrity, Customer and Continuous Improvement-through:

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

RGE's vision is to be one of the largest, best-managed and most sustainable resources-based groups creating value for the Community, Country, Climate, Customer and Company. To realise this vision, Sateri abides by the commitments and statements in its *Pulp Sourcing Policy*<sup>[1]</sup> and *Sustainability Policy*<sup>[2]</sup>, which stipulate requirements for conservation, pulp sourcing, responsible practices in the workplace, as well as community engagement.



## Sustainability Strategy and Goals GRI 102-15

Our sustainability strategy is based on three domains: Corporate governance, environmental performance and social impact. Systems, procedures and programmes are developed in each domain to monitor and improve key indicators and to encourage constructive, fruitful conversations with our stakeholders.

Additionally, Sateri's sustainability strategy, which guides all of its activities, continues to be optimised as the Company enhances its management systems and connections with stakeholders.

Note:

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

[2]. English <http://www.sateri.com/sustainability/sustainability-policy/>  
Chinese <http://www.sateri.com/zh/sustainability/sustainability-policy/>



Sateri is committed to minimising its environmental footprint from procurement, production and transport

Sateri works with suppliers, associations, NGOs and government agencies to promote responsible sourcing, energy saving, emissions control and product stewardship

Sateri seeks to raise the environmental standards of the industry from a lifecycle perspective to ensure safe, traceable and sustainable products for consumers



Sateri is committed to occupational health and safety, community safety and protection of labour rights

Sateri creates value for our employees and our communities through innovation, care and development programmes to align economic and social benefits

Sateri cares for the local communities around its operations and initiates philanthropic and development programmes to support and empower them



To continuously improve transparency, Sateri implements high standards in business ethics, compliance, reporting and disclosure

Sateri has comprehensive systems for effective communication with all stakeholders, including management, employees, suppliers, customers, governments, NGOs and the public

Sateri has developed eight sustainability goals for 2020 and launched a range of programmes and initiatives to help us fulfill these commitments.

## ►► Y2020 Sustainability Goals and Y2016-Y2017 Progress

Section	Elements	Y2020 Sustainability Goals	Progress in Y2016	Progress in Y2017
 Product	Product stewardship and value chain	<ul style="list-style-type: none"> <li>• Improve user-friendliness and sustainability of products and packaging through material control and technology upgrading</li> <li>• Obtain at least eight certifications or accreditations such as bio-based, biodegradable/ compostable and skin-friendly</li> <li>• Use Sateri's industry influence to promote improvement of traceability and sustainability of every component of the value chain</li> </ul>	<ul style="list-style-type: none"> <li>• Sateri's textile and non-woven products have been tested and proven to meet the Class I product limits of the OEKO-TEX® STANDARD 100 and are granted the certificate of Confidence in Textile and use of label</li> <li>• Product packaging – including the wrap, strap and seals – has been upgraded for improved user-friendliness and product safety</li> </ul>	<ul style="list-style-type: none"> <li>• Viscose mills passed the STeP by OEKO-TEX® certification successively; SFJ passed the certification (level 3) in September 2017, and SJX and SJJ passed the certification (level 3) in April 2018</li> <li>• SFJ was granted the MADE IN GREEN by OEKO-TEX® label in September 2017, and SJX and SJJ were granted the label in April 2018</li> <li>• The Company initiated the USDA BioPreferred® Program's bio-based product testing in 2017 and obtained the USDA certified 100% bio-based product label in April 2018</li> <li>• Sateri's woven and non-woven fibres (white) passed the skin friendly/hypoallergenic skin-friendly certification by Hohenstein Institute</li> <li>• Textile fabrics containing 100% Sateri viscose (white) passed Wear Comfort Vote certification by Hohenstein Institute</li> </ul>
	Responsible sourcing	<ul style="list-style-type: none"> <li>• Encourage suppliers to obtain PEFC™ or FSC® Chain of Custody certification</li> <li>• By 2020, ensure that 100% of purchased pulp is either certified or sourced from controlled wood</li> </ul>	<ul style="list-style-type: none"> <li>• In 2016, Sateri engaged Rainforest Alliance for an independent CanopyStyle audit of all viscose mills to assess compliance and traceability of sourced pulp.</li> <li>• By the end of November 2016, Sateri ceased purchasing wood pulp from suppliers who source from controversial forests. In November to December 2016, 95% of purchased pulp was PEFC™ or FSC® certified or controlled. In January to December 2016, Sateri sourced 71% of PEFC™ or FSC® certified or controlled wood pulp</li> </ul>	<ul style="list-style-type: none"> <li>• Following the CanopyStyle independent audit by Rainforest Alliance in 2016, the Company made corresponding changes based on the suggestions from the audit and published the list of pulp suppliers in 2017. The final report was released in May 2018</li> <li>• 91% of purchased pulp was PEFC™ or FSC® certified or controlled in 2017.</li> </ul>



Section	Elements	Y2020 Sustainability Goals	Progress in Y2016	Progress in Y2017
 Place	Energy efficiency and cleaner production	<ul style="list-style-type: none"> <li>Establish and implement cleaner production plans and conduct greenhouse gas (GHG) verification to improve energy efficiency and reduce GHG emissions</li> <li>By 2020, all viscose mills will complete cleaner production audits and completion assurance inspections</li> <li>By 2020, water use per unit of product will be reduced by 20% compared with 2016</li> </ul>	<ul style="list-style-type: none"> <li>From April 2015 to March 2016, SFJ engaged consultancy firm Fujian Jiaoyang Energy Conservation and Environmental Protection Technology Co., Ltd. to conduct a cleaner production audit. It passed the inspection and acceptance of all completed improvements by the local environmental authority in June 2016. The mill was rated as a Domestic Advanced Cleaner Production Enterprise in China.</li> <li>SJX and SJJ are now planning such audits</li> <li>In 2016, Sateri's water consumption was 41 cubic metres per tonne of viscose staple fibre<sup>[1]</sup></li> </ul>	<ul style="list-style-type: none"> <li>In 2017, SJJ and SJX engaged Jiujiang Zhenxun Management Consulting Co., Ltd., a third-party agency, to carry out cleaner production audit, and passed the inspection and acceptance of the completed improvements. Both mills were rated as a Domestic Advanced Cleaner Production Enterprise in China</li> <li>Sateri's water consumption per unit viscose product was 49.4 tonne per tonne product in 2017<sup>[2]</sup> (calculated based on new standard in 2017, the figure in 2016 was 48.5 tonne per tonne product), relatively stable compared with the year of 2016.</li> </ul>
	Environmental impacts	<ul style="list-style-type: none"> <li>Improve the collection and treatment of wastewater and air emissions through technology upgrading and optimised management to achieve robust compliance</li> <li>By 2020, chemical oxygen demand (COD) discharged will be controlled within 50 mg/L at each mill</li> <li>Sulphur dioxide (SO<sub>2</sub>) from the boilers will be controlled within 35 mg/m<sup>3</sup> in all viscose mills</li> </ul>	<ul style="list-style-type: none"> <li>SJJ completed upgrading of its wastewater collection and treatment system in 2016 after its acquisition by Sateri</li> <li>Modern collection and treatment facilities are in place for wastewater, air emissions and waste at all viscose mills and company-run power plants to ensure compliance</li> <li>In 2016, COD discharges: 78 mg/L at SJX, 51 mg/L at SFJ and 90 mg/L at SJJ</li> <li>SO<sub>2</sub> emissions from the boilers: 91 mg/m<sup>3</sup> at SJX, 38 mg/m<sup>3</sup> at SFJ and 14<sup>[3]</sup> mg/m<sup>3</sup> at SJJ</li> </ul>	<ul style="list-style-type: none"> <li>In 2017, all Sateri plants enhanced their environmental treatment capacity by investing a total of RMB 176 million (USD 25.6 million) in installing phase-II wastewater treatment facility and transforming the biochemical tank at SJJ and other projects</li> <li>In 2017, COD discharges: 67 mg/L at SJX, 47 mg/L at SFJ and 59 mg/L at SJJ</li> <li>SO<sub>2</sub> emissions from the boilers: 84 mg/m<sup>3</sup> at SJX, 23 mg/m<sup>3</sup> SFJ and 13 mg/m<sup>3</sup> at SJJ</li> </ul>

Note:

[1]. The water consumption of unit product in Y2016 was calculated based on 1.67 dtex set out in *HX/T 52005-2014 Cleaner Production Assessment Index System of Viscose Industry* issued by China Chemical Fibers Association.

[2]. According to *Cleaner Production Assessment Index System of Regenerated Viscose Manufacturing Industry (Viscose Process) (Consultation Draft)*, in 2017, the data of water consumption of unit product was no longer calculated based on 1.67 dtex. The recalculated water consumption of unit product in Y2016 was 48.5 t/t product using the new method, and calculation of total water consumption does not include water consumption by electric power plant.

[3]. Based on review, the Y2016 emission concentration of SO<sub>2</sub> in boiler waste gas of SJJ (85 mg/m<sup>3</sup>) disclosed in *Sateri Sustainability Report 2016* should be corrected to 14 mg/m<sup>3</sup>.

Section	Elements	Y2020 Sustainability Goals	Progress in Y2016	Progress in Y2017
 People	Occupational health and safety	<ul style="list-style-type: none"> <li>• Further foster a safety culture, enhance the safety awareness of employees and minimise workplace accidents</li> <li>• By 2020, the loss-time injury frequency rate (LTIFR) per 200,000 hours worked will be reduced by 40% compared with 2016</li> </ul>	<ul style="list-style-type: none"> <li>• All employees at the mills have attended safety training and signed safety responsibility letters</li> <li>• In 2016, LTIFR per 200,000 hours worked was 0.44 at viscose mills, and LTIFR per 200,000 hours worked was 0 at Linz Nanjing.</li> <li>• In 2016, SJJ had one fatal accident</li> </ul>	<ul style="list-style-type: none"> <li>• In 2017, the coverage rate of total safety education and training at all mills was 100%</li> <li>• In 2017, LTIFR per 200,000 hours worked was 0.16, with a year-on-year decrease of 64%, and LTIFR per 200,000 hours worked was 0 at Linz Nanjing</li> <li>• In 2017, the work-related mortality at all mills was 0</li> </ul>
	Transparency	<ul style="list-style-type: none"> <li>• Further improve transparency and strengthen long-term mechanisms (such as grievance, media release and plant programmes) to ensure two-way communication with the public at corporate and mill levels</li> <li>• Collaborate with the stakeholders along the value chain to enhance transparency of sustainability information in the industry sector</li> <li>• Release the independently assured sustainability report every year</li> <li>• By 2020, complete at least one independent sustainability transparency survey</li> </ul>	<ul style="list-style-type: none"> <li>• Open Day events were run at the mills and environmental data were made public via the media</li> <li>• Sateri updated its website in late 2016 to include a grievance and feedback mechanism, as well as a public email account</li> <li>• Preparation of the first sustainability report also began</li> <li>• Sateri participated in supplier questionnaire surveys, responded to supplier inquiries from major brands, and disclosed information including energy consumption, effluent management and pulp sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Open Day events were run at the mills. Wastewater discharge outlets and monitoring information were made public</li> <li>• SFJ and SJX opened an exhibition hall that showcased the Company's development and sustainability milestones, industry value chain and cleaner production processes</li> <li>• In 2017, Sateri received zero sustainability-related complaint from public stakeholders</li> <li>• In October 2017, the Company released the first sustainability report—Sateri Sustainability Report 2016</li> <li>• In 2017, the China Chemical Fibers Association, major international and domestic garments and non-woven product brands visited Sateri's viscose mills to gain better understanding of the Company's production management, product innovation, environmental management, and others</li> <li>• Sateri conducted interviews with The Economist Intelligence Unit, Fibre2Fashion (a fibre and garment website), China Environment News, to share its sustainability commitment, experience and progress</li> </ul>
	Stakeholder partnership	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Sateri was in regular contact with Canopy, an environmental NGO, on sustainable forest management and sought to start dialogue with other organisations on sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Since September 2017, Sateri joined hands with China Chemical Fibers Association, China Cotton Textile Association, Tangshan Sanyou, and eight other viscose enterprises to establish the Collaboration for Sustainable Development of Viscose (CV), in order to promote green development in the industry and establish sustainability standards for sourcing, manufacturing processes and products. To establish working standards, CV extensively sought the opinions and suggestions of industry, sustainability research and consulting agencies and NGOs</li> </ul>
	Giving back to society	<ul style="list-style-type: none"> <li>• By 2020, Sateri volunteers will contribute an average of 2,150 hours per year to the community and society</li> </ul>	<ul style="list-style-type: none"> <li>• In 2016, Sateri employees contributed 1,309 volunteer hours for community development, education and poverty relief</li> </ul>	<ul style="list-style-type: none"> <li>• In 2017, Sateri employees contributed 2,949 volunteer hours</li> </ul>

## Sustainability Management Organisation Structure



GRI 102-18, 102-19, 102-20, 102-21, 102-26, 102-29, 102-32, 102-33

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

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

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

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

### ►► Sustainability Management Organisation Structure





### + Collaboration for Sustainable Development of Viscose (CV)

In support of China's green development policy and the green supply chain initiative of the international textile industry, Sateri, in association with China Chemical Fibers Association, China Cotton Textile Association, Tangshan Sanyou, and either other viscose enterprises to establish the Collaboration for Sustainable Development of Viscose (CV), aimed at driving the viscose industry towards sustainable development.

In September 2017, Sateri and other CV members set up the working group of technical standards development, and carried out deep technical exchanges and discussions with China

Chemical Fibers Association, other viscose enterprises, sustainability consulting agencies and NGOs.

Moreover, Sateri was invited to attend the forum themed "Textile Material High-end Interview on Sustainability" sponsored by China Chemical Fibers Association in October 2017, where Sateri discussed the challenges and opportunities of viscose with its peers, brands and other world-renowned sustainability certification bodies. It was at the same forum that they agreed to set up CV to help the industry adopt and implement best management practices.

### + Sateri's viscose mills obtained STeP by OEKO-TEX® certification and were granted use of MADE IN GREEN label

OEKO-TEX® Association is a global independent textile research and testing alliance. Its STeP (Sustainable Textile Production) by OEKO-TEX® programme is an independent certification system for brands, retailers and manufacturers in the textile industry chain who want to demonstrate the sustainability achievements of the enterprises certified in a transparent, reliable and clear manner.

STeP certification offers three rating levels for the assessment of sustainable production and working environment of the applicants, covering six modules as chemicals management, environmental performance, environmental management, social responsibility, quality management and occupational health & safety. Different from other certifications, STeP implements a dynamic certification system, which updates the certification content based on latest requirements, scientific findings and regulatory stipulations, and encourages enterprises to adopt the available optimal technologies with significant impact on

sustainable production, and continuously pay attention to changes in international environmental and social standards.

Based on the requirements of modules of STeP certification, Sateri's viscose mills improved their overall sustainability management capacities in product quality, sourcing, production, employee health and safety and social responsibility, and achieved the highest scoring category (level 3) in six modules, demonstrating exemplary implementation of best practices.

With the STeP by OEKO-TEX® and STANDARD 100 by OEKO-TEX® certifications, Sateri viscose is the first viscose enterprise worldwide to be licensed to carry the MADE IN GREEN by OEKO-TEX® label. The MADE IN GREEN label certifies that the products carrying the label are free from harmful substances and manufactured by environmentally-friendly, safe and socially-responsible enterprises.

“

It is amazing to meet all the strict requirements of STeP certification, particularly those of the highest scoring category (level 3). Sateri has set a good example for its industry peers—Where there's a will, there's a way. On the path of sustainable textile production, we recognise both Sateri's pioneering spirit and remarkable results.

— Adrian Meili, TESTEX<sup>[1]</sup> Chief Auditor

Note:

[1]. TESTEX is one of the audit organisations approved by OEKO-TEX®.

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Note:

The logos above are given by SFJ for illustration purposes only.

## + Issuing the first Sateri Sustainability Report



Sustainability report is an effective tool to comprehensively assess the sustainability performance of an organisation, and plays an important role in promoting an organisation's transparency and accountability. In this regard, Sateri officially released its first sustainability report (for the year of 2016) in October 2017.

Sateri's first sustainability report was prepared according to GRI Sustainability Reporting Standards, setting out the sustainability strategy and sustainability performance of the Company in 2016. In order to improve the materiality and responsiveness of the report, Sateri carried out stakeholder surveys to help identify key issues, as well as gathered suggestions from both internal and external stakeholders.

## + Viscose mills began to introduce Higg Index FEM 3.0 and ZDHC wastewater management guidelines

Higg Index FEM (Facility Environment Module) is a sustainability assessment tool developed by the Sustainable Apparel Coalition (SAC) which globally standardizes measurement and evaluation of environmental performance for facilities. It also creates a common language to communicate sustainability to stakeholders.

In 2017, Sateri's viscose mills began to adopt Higg Index FEM 3.0 to carry out self-assessments and information disclosures in environmental management system, energy use, greenhouse gas, water consumption, wastewater, atmospheric emission, as well as its waste and chemicals management. In line with the wastewater monitoring requirements of Higg Index FEM 3.0, Sateri viscose mills carried out wastewater monitoring according to the Wastewater Guidelines of ZDHC (Zero Discharge of Hazardous Chemicals), and compared their wastewater discharge with the global regulatory standards.

## Risk Identification and Management

GRI 102-15



Sateri's viscose production process involves the use of a wide range of chemicals and extensive resources & energy consumption, posing potential environmental, health and safety risks to employees, suppliers and subcontractors, and communities. The production process therefore requires robust frameworks to ensure traceability and legality of raw materials.

Sateri identifies environmental management, social impacts and corporate governance as key sustainability risks.



## • Environmental management

### Environmental risk

The production of viscose involves the use of chemicals, resulting in wastewater and air emissions. Production or pollution control equipment failure, natural disasters, or human error can result in chemical leakage or pollutant discharges, as well as medium- to long-term environmental damage.

Sateri has developed relevant environmental risk emergency plan to minimise the probability and impact of environmental pollution incidents.

It also continuously updates environmental management standards according to established and emerging international standards and requirements such as ZDHC Wastewater Guidelines and has passed the highest level certificate of STeP by OEKO-TEX® to further minimise the environmental impact.

### Health and safety risk

Occupational hazards are present due to the use of chemicals and industrial equipment. Equipment and system failure as well as work negligence can result in chemical leakages, fires, and injuries.

Sateri actively promotes a culture of safety, conducting several trainings and seminars, implementing audit and correction measures, as well as organises occupational hazard assessment and occupational disease assessments for employees.

### Chemical risk

Chemical risks involve issues in both sourcing and the use of chemicals in the mills. With the chemical hazards further identified by science and technology, Sateri pays attention to the effects of various chemicals on human health. The Company emphasises the proper management in the transport and use of chemicals, and implements measures to minimise the possibility of leakages that may affect workers and surrounding communities.

Sateri's viscose mills have in place chemicals management systems and benchmarked practices against international sourcing standards. Relevant business units have well-defined standards, guidelines and assigned roles that manage the sourcing, transport, handling, storage and use of chemicals.

### Energy and resources risk

Viscose production consumes resources such as water and other natural resources that may emit greenhouse gases.

Sateri is committed to continuously optimising its production process via various improvement programmes that strengthens the use reduction, recycling and reuse of resources and energy. The Company also regularly carries out greenhouse gas emission accounting to further strengthen its identification and management of greenhouse gases.

## + Social impacts

### Community relations risk

The operations of mills impacts surrounding communities. Failure to carry out timely and effective communications with surrounding communities may cause unawareness and misunderstanding of the Company's brand, behaviours and projects (such as air emission management), resulting in community relations crisis.

Given Sateri's commitment to transparency and openness, the Company continues to deepen its communication and interaction with surrounding communities via events such as Mill Open Day. It seeks to understand community needs, carry out public welfare activities, and support the development of community diversity, to co-create a harmonious relation with surrounding areas.

### Reputation risk

Reputation risk refers to failure to meet the stakeholders' expectations in compliance, environmental management and transparency, or negative media coverage which may adversely affect the corporate or industry reputation. Meanwhile, the possible incomplete understanding and false information regarding the viscose industry may also affect the reputation of the value chain of the viscose industry and textile industry.

Through strengthened environmental management, compliance management, stakeholder communication, industry cooperation and green development, the Company strives to improve the public's understanding of the viscose and textile value chains, minimising the reputation risk.

## + Corporate governance

### Compliance risk

Compliance risk derives from the increasingly stringent and extensive legal regulations and international standards applicable to the viscose industry. Failure to meet the requirements of relevant legal regulations and international standards may result in financial or reputational loss.

Sateri pays great attention to compliance management, proactively raises standards of requirements by improving management systems, and conducts compliance training to employees as well as compliance assessments to establish a company-wide compliance culture.

### Transparency risk

Transparency risks may arise when the Company fails to disclose information to stakeholders in an open manner, or when stakeholders make their own judgment on Sateri without a thorough and timely understanding of its sustainability strategy and action, resulting in a misconception of the Company.

Sateri continuously seeks to improve its stakeholder communications via regular Sustainability Reports, stakeholder surveys and active communication with international and local environmental organisations. The Company also works with China Chemical Fibers Association, China Cotton Textile Association, Tangshan Sanyou, and eight other viscose enterprises to establish the Collaboration for Sustainable Development of Viscose (CV), aiming to increase the transparency level of the viscose industry.

### Supply chain risk

Supply chain management is a critical concern of Sateri's business as raw materials sourced from various suppliers are used in the production of viscose. Failure to responsibly implement the sourcing policy will affect not only the brand image of Sateri but the entire viscose value chain as well.

Sateri enhances its supplier management via regular assessments of the environmental and social performances of existing suppliers. In terms of pulp sourcing, all our viscose mills have passed the PEFC™ Chain of Custody Certification. Moreover, the Company continuously increases the sourcing proportion of certified and controlled pulp to improve product traceability and mitigate supply chain risk.

### Product-related risk

The end-products of viscose consist of textiles and non-woven hygiene products. Users of these end-products are paying increasing attention to the product quality, safety and environmental properties. Any quality defect of Sateri's products will affect the product quality of downstream customers, and safety and environmental properties are crucial to the reputation of both Sateri and even the entire viscose industry.

Sateri continuously improves product sustainability management, including strengthening quality control, active R&D, product monitoring and certification, etc., to improve product quality and ensure product health and safety.

Note:  
The above risks are not listed in order of risk significance or management priority.



### ✚ Global Code of Conduct

Sateri is committed to complying with the requirements of local laws and regulations, as well as relevant industry codes.

As a member of RGE group, all our employees must comply with the rules in *RGE Global Code of Conduct*, covering workplace, community, market, corporate assets and resources. Trainings are conducted to employees company-wide to ensure compliance accordingly.

### ►► RGE Global Code of Conduct



Sateri has developed a *Code of Procurement Ethics*, which requires suppliers and employees to adhere to the principles of business integrity, fair competition and open communication, as well as RGE's and Sateri's sustainability frameworks, and international trade conventions and policies.



## + Grievance Mechanism

As a transparent and accountable company, Sateri encourages the public to send feedback about its policies, operations and activities as well as those of the company's suppliers and partners. Sateri has established an online grievance mechanism, and the public may send their grievances and concerns to the Company's e-mail address (Sateri\_Feedback@sateri.com) regarding environmental pollution, health and safety risks, raw materials sourcing or social responsibilities, etc. This e-mail has been made public via the Company's official website, social media accounts and survey questionnaires.

The Company has set up Grievance Redress Committee to timely handle all the grievances received, and develop and implement improvement plans.

In 2017, Sateri received no complaints regarding environmental pollution, health and safety risks, dissolving wood pulp or other social responsibility issues in its email.

## + Cases of Non-compliance

In 2017, there were no verified violation incidents or litigations brought against the Company with respect to its employment and labour practices, society and economy, health and safety associated products and services, marketing, labelling and privacy.

There was one negative environmental record found within the reporting period. For more details, please refer to *Wastewater Discharge Reduction (Page 66)* in section *Our Environment*.

## + Major Laws and Regulations

Sateri complies with all local laws and regulations in its areas of operations.

Major Laws and Regulations in Sateri's Areas of Operation		
Area	Category	Major laws and regulations
Product	Product quality	Law of the People's Republic of China on Product Quality, Viscose Staple Fibre (GB/T 14463-2008), Fibre Products Quality Supervision Management Regulations, etc.
Employee	Employees' rights and interests	Labour Contract Law of the People's Republic of China, Labour Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, etc.
	Occupational health and safety	Work Safety Law of the People's Republic of China, Emergency Response Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, etc.
Environment	Environmental management	Environmental Protection Law of the People's Republic of China, Cleaner Production Promotion Law of the People's Republic of China, Viscose Industry Specifications, Cleaner Production Assessment Index System of Regenerated Viscose Manufacturing Industry (Viscose Process) (Consultation Draft), etc.
	Energy efficiency	Law of the People's Republic of China on Conserving Energy, Guideline for Energy Management in Industry Enterprise, etc.
	Air emission	Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2011), Emission Standards for Odour Pollutants (GB 14554-1993), Comprehensive Emission Standard of Air Pollutants (GB 16297-1996), etc.
	Wastewater discharge	Integrated Wastewater Discharge Standard (GB 8978-1996), Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002) <sup>[1]</sup> , etc.
	Waste management	Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Wastes (GB 18599-2001, revised in 2013), Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001, revised in 2013), etc.

Note:

[1]. Sateri viscose mills start implementing *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002)* in 2018.



## Stakeholder Engagement

### Stakeholder Communication and Response

GRI 102-40、102-43



Stakeholder engagement is a critical component of Sateri's sustainable operations.

In 2017, Sateri continues to actively engage with stakeholders to build trust and generate support. Engagement is not limited to employees in the communications and sustainability departments. Other business units also actively engage stakeholders across the value chain.

The Company carried out surveys of various stakeholders, identified the major materiality topics of stakeholders based on expert opinions, and utilised multiple channels to gather information and insights, such as seminars, one-on-one discussions, press interviews, website and social media, trade shows, reports, training sessions and surveys. The table below summarises these engagements as well as the feedback from stakeholders.



Stakeholder type	Stakeholder representative	Materiality topics	Communication mechanisms
Government departments	<ul style="list-style-type: none"> <li>Local government departments, e.g. environmental protection, safety departments, etc.</li> <li>Central Government</li> </ul>	<ul style="list-style-type: none"> <li>Chemicals management</li> <li>Wastewater management</li> <li>Compliance management</li> </ul>	<ul style="list-style-type: none"> <li>Environmental and safety supervision and management</li> <li>Pollutant discharge data disclosure</li> <li>Cleaner production audit and acceptance</li> </ul>
Management	<ul style="list-style-type: none"> <li>Leaders of RGE Group and Sateri</li> <li>Head of relevant business units and departments</li> </ul>	<ul style="list-style-type: none"> <li>Risk management</li> <li>Compliance management</li> <li>Wastewater and air emissions management</li> </ul>	<ul style="list-style-type: none"> <li>Working meetings, training and team activities</li> <li>Intranet and house journals</li> <li>Email, telephone and/or social media as WeChat</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employees of operating mills and offices</li> </ul>	<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Labour rights and benefits</li> <li>Employee training and development</li> </ul>	<ul style="list-style-type: none"> <li>Working meetings and training</li> <li>Workers' congress activities and team activities</li> <li>Intranet and house journals</li> <li>Email, telephone and/or social media as WeChat</li> <li>Campus recruitment programme</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Bracell and other pulp suppliers</li> <li>Other suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Compliance management</li> <li>Governance transparency</li> <li>Responsible sourcing</li> </ul>	<ul style="list-style-type: none"> <li>Audit and assessment of supplier Chain of Custody system and field visits</li> <li>Products exhibitions and industry seminars</li> </ul>
Downstream customers/brands	<ul style="list-style-type: none"> <li>Yarn and fabric customers</li> <li>Fast moving consumer goods (FMCG) fashion brands and other luxury designer brands</li> </ul>	<ul style="list-style-type: none"> <li>Product quality and innovation</li> <li>Product traceability</li> <li>Product sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Customer technical exchange and cooperation &amp; R&amp;D</li> <li>Customer satisfaction survey</li> <li>Product exhibitions and industry seminars</li> </ul>
Non-profit and multi-stakeholder organisations/initiatives	<ul style="list-style-type: none"> <li>The Institute of Public and Environmental Affairs (IPE) and other Chinese environmental organisations</li> <li>Canopy, Changing Markets Foundation and other international organisations</li> <li>OEKO-TEX® Association, Textile Exchange, ZDHC and other international organisations</li> </ul>	<ul style="list-style-type: none"> <li>Chemicals management</li> <li>Responsible sourcing</li> <li>Wastewater management</li> </ul>	<ul style="list-style-type: none"> <li>Audit and assessment of supplier Chain of Custody system</li> <li>Industry survey and research reports</li> <li>Environmental pollutant discharge data disclosure</li> <li>Sustainability reports</li> </ul>
Industry associations	<ul style="list-style-type: none"> <li>China Chemical Fibers Association</li> <li>China Cotton Textile Association</li> </ul>	<ul style="list-style-type: none"> <li>Customer service</li> <li>Collaboration for industry advancement</li> <li>Product quality and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Product exhibitions and industry seminars</li> <li>Collaboration for Sustainable Development of Viscose (CV)</li> </ul>
Media	<ul style="list-style-type: none"> <li>The Economist Intelligence Unit, Fibre2Fashion and other international media</li> <li>China Environmental News, China Textile News and other national media</li> <li>Media in areas of operation</li> </ul>	<ul style="list-style-type: none"> <li>Wastewater management</li> <li>Air emissions and greenhouse gas emission management</li> <li>Supporting community construction</li> </ul>	<ul style="list-style-type: none"> <li>Mill visits and pollutant discharge data disclosure</li> <li>Media coverage, communication and industry events</li> <li>Product exhibitions</li> </ul>
Community representatives	<ul style="list-style-type: none"> <li>Community residents near Sateri operating mills</li> </ul>	<ul style="list-style-type: none"> <li>Wastewater management</li> <li>Air emissions and greenhouse gas emission management</li> <li>Supporting community construction</li> </ul>	<ul style="list-style-type: none"> <li>Community interviews</li> <li>Open days</li> <li>Public email for complaints and feedback</li> <li>Community activities and daily communication</li> </ul>
Academic institutes	<ul style="list-style-type: none"> <li>Donghua University</li> <li>China Textile Academy and other academic institutes</li> </ul>	<ul style="list-style-type: none"> <li>Water resource management</li> <li>Wastewater management</li> <li>Collaboration for industry development</li> </ul>	<ul style="list-style-type: none"> <li>Cooperative R&amp;D mechanism, talent training strategic cooperation</li> <li>Academic and industry research reports</li> </ul>



## Non-for-profit Organisations and Multi-stakeholders/initiatives Engagement GRI 102-12, 102-13

Sateri actively engages with organisations and various associations such as Canopy, Changing Markets Foundation, Institute of Public and Environmental Affairs (IPE), OEKO-TEX®, Textile Exchange, ZDHC and other key stakeholders<sup>[1]</sup>, aiming to address concerns and co-promote the sustainable development of the viscose industry.

### ►► Canopy

Canopy is an international non-profit environmental protection organisation committed to the protection of forests, species and climate, and promoting sustainability of viscose value chain, and protecting endanger forests. CanopyStyle is a sustainable fibre sourcing initiative aiming to improve the viscose supply chain. It involves an annual audit process targeted towards manufacturers of manmade cellulose to ensure that no pulp is sourced from ancient and endangered forests or controversial areas. Sateri is one of the viscose manufacturers to complete the CanopyStyle audit. In November 2016, Sateri engaged Rainforest

Alliance, an independent third-party auditor, to conduct an audit on Sateri's viscose mills according to the CanopyStyle audit framework and guidelines developed by Canopy.

Intensive engagement with Canopy and Rainforest Alliance continued in 2017; Sateri disclosed its pulp suppliers on its website, and Canopy visited the plantations of our supplier in Indonesia. The final audit report was jointly published by Sateri, Canopy and Rainforest Alliance in May 2018<sup>[1]</sup>.

### ►► Changing Markets Foundation

Established in the Netherlands, Changing Markets Foundation (CMF) aims to sponsor and support activities to solve sustainability issues. Cooperating with NGOs, foundations and research institutes, CMF is committed to promoting products with good environmental and social benefits in the industry. In June 2017, CMF published the Dirty Fashion report, which revealed the possible environmental pollution problems during

the production of artificial viscose, and published other relevant reports in 2018.

In early 2018, Sateri established relationship with CMF and carried out dialogues regarding responsible production. Sateri also attended the symposium on viscose closed-loop production co-sponsored with other Non-for-profits in London.

### ►► Institute of Public & Environmental Affairs (IPE)

The Institute of Public & Environmental Affairs (IPE) is a non-profit environmental research organisation registered and based in Beijing, China. Since its establishment, IPE collects, collates and analyses public government and corporate environmental information, building a database of environmental information. IPE's two platforms – the Blue Map website and the Blue Map app – integrate environmental data to serve green procurement, green finance and government environmental policymaking, using cooperation between companies, government, NGOs, research organisations and other stakeholders and leveraging the power of a wide range of enterprises to achieve environmental transformation, promote environmental information disclosure and improve environmental governance

mechanisms.

In 2017, Sateri and IPE carried out a series of in-depth discussions on previous environmental violation issues<sup>[2]</sup>, and implemented Green Choice Alliance (GCA) audit and Pollutant Release and Transfer Register (PRTR) submission, and managed the violations by regarding the IPE data platform search and submission as a routine procedure. IPE has witnessed the development of Collaboration for Sustainable Development of Viscose (CV). Since the establishment of CV, viscose producers as Sateri have been making deep exchanges with IPE regarding the vision, roadmap and daily supervision and management of CV, and reporting progress and feedback.

Note:

[1]. For more information on the report, please visit

[http://www.sateri.com/news\\_events/global-viscose-producer-sateri-completes-independent-verification-audit-by-rainforest-alliance-to-evaluate-wood-pulp-sourcing-risk/](http://www.sateri.com/news_events/global-viscose-producer-sateri-completes-independent-verification-audit-by-rainforest-alliance-to-evaluate-wood-pulp-sourcing-risk/).



## ►► OEKO-TEX® Association

Co-established by Hohenstein Institute and OETI, OEKO-TEX® Association developed standards for textiles and leather products tests and certifications.

In 2017, Sateri's viscose mills carried out STeP by OEKO-TEX® certification assessment. Meanwhile, Sateri worked with Collaboration for Sustainable Development of Viscose (CV) and OEKO-TEX® Association to carry out technical exchange on air emissions and wastewater discharge indicators of viscose industry, and proposed to add characteristic pollution factor in

the updated STeP standard, in order to give full play to the role of STeP in the sustainable management of mills.

Moreover, at the InterTextile exhibition in October 2017, Sateri joined hands with TESTEX (certification and audit division of OEKO-TEX® Association), Hohenstein Institute and other viscose manufacturers, brands and experts to hold a round table to discuss how to improve the sustainable management level of enterprises by leveraging the international assessment and certification tools.

## ►► Textile Exchange

As an international non-profit organisation based in the U.S., Textile Exchange aims to work closely with trading members to promote industry transformation, in order to minimise the impact of textile industry on water, soil, air and population worldwide. As of the end of the reporting period, 210 enterprises and organisations in over 25 countries have become members of Textile Exchange. Moreover, Textile Exchange develops key industry standards as the Organic Content Standard (OCS), the Recycle Claim Standard (RDS) and the Global Recycled Standard

(GRS) to promote the sustainable development of the textile industry.

In September 2017, Sateri officially became a member of Textile Exchange, and actively participated in the sustainability symposiums and other activities, in order to acquire industry experience and continuously promote the sustainable development management.

## ►► ZDHC

As an organisation co-sponsored by international leading brands worldwide, Zero Discharge of Hazardous Chemicals (ZDHC) is committed to establishing extensive partnership to eliminate discharge of hazardous chemicals. As of the end of the reporting period, ZDHC consists of 23 brand members, 27 value supply chain members and 13 industry association members.

After the ZDHC wastewater discharge standard was incorporated into the standards pool of Collaboration for Sustainable Development of Viscose (CV), Sateri has continuously communicated with ZDHC, attended the conference for setting up viscose industry standard working group in Amsterdam. Sateri officially joined ZDHC as a member in 2018.

Note:

[1]. Stakeholders are listed in alphabetical order.

[2]. For Sateri's non-compliance record, please refer to the website of IPE at <http://www.ipe.org.cn>.

# Analysis of Materiality Topics

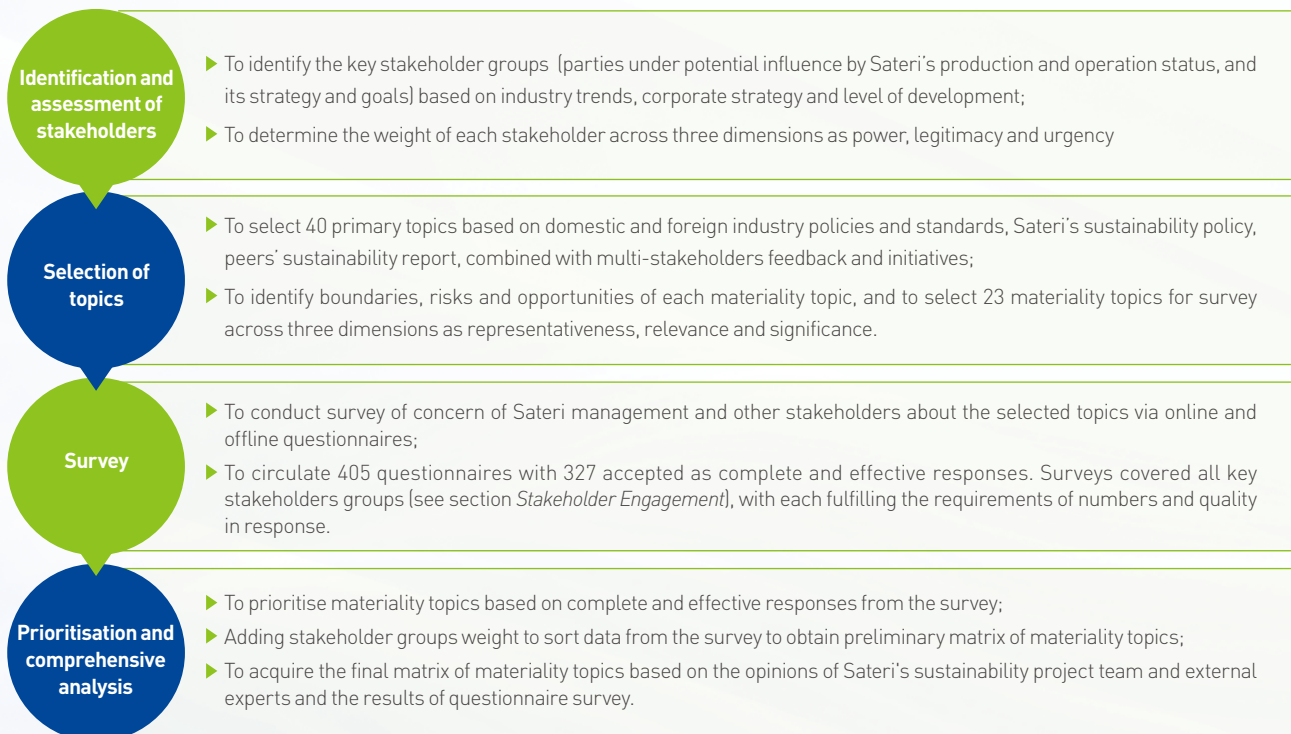
GRI 102-42、102-44、102-46、102-47

Materiality topics demonstrate major economic, environmental and social impact made by the organisation; or major impact on stakeholders' decision-making.

During last reporting period, Sateri carried out online and offline survey of management and stakeholders, and completed this materiality topics analysis. Nevertheless, 2017 saw the rapid development of sustainability awareness and management approaches in the industry, as well as deeper engagement between Sateri and its stakeholders, the Company believes that previous method of doing the analysis cannot fully meet the stakeholders' expectations on Sateri.

During this reporting period, Sateri organised the topics identification and selection, stakeholders survey and topics prioritisation in a more systematic and scientific way. Taking full consideration of domestic and international laws and regulation, industry trends, corporate value and sustainability strategy, issues of concern and feedback from non-for-profits organisations and other stakeholders, the Company conducted online and offline surveys<sup>[1]</sup> and obtained the materiality matrix.

## ►► Analysis Process of Materiality Topics

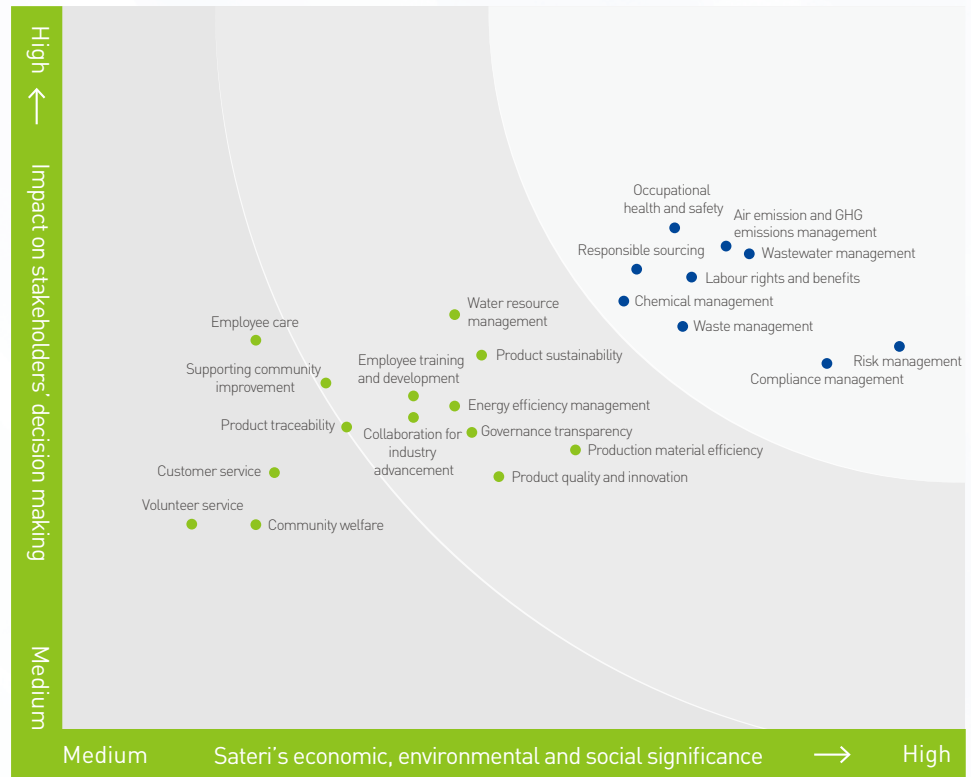


Note:

[1]. For an online survey sample, please visit <https://www.wjx.cn/jq/24496731.aspx>



## ►► Materiality Matrix



In the analysis matrix of materiality topics, the location of a topic on the X-axis represents the significance of economy, environment and society to Sateri. According to the analysis results, important topics include risk management, compliance management, wastewater management, air emission and greenhouse gas (GHG) emission management, Labour rights and benefits, and waste management.

The location of a topic on the Y-axis represents its significance to stakeholders' decision making. According to the analysis results, important topics include occupational health and safety, air emission and GHG management, responsible sourcing, wastewater management, labour rights and benefits, and chemical management.

## Analysis of Materiality Topics and Boundaries GRI 102-49



By benchmarking against domestic and international regulations and standards, the Company modified its sustainability analysis approach. Compared to 2016, the major changes in the year of 2017 from materiality topics analysis include:

- Re-grouping certain topics to achieve more detailed classifications. For instance, topics of product quality, product health and safety, product innovation were combined into two topics: product quality and innovation and product sustainability.
- Classifying certain topics in accordance to GRI Standards. For instance, high materiality topics in the year of 2016, such as pollution prevention and control, energy saving and emission reduction were re-classified into wastewater management, air emission and GHG emission management, waste management, production material efficiency, and energy efficiency management.

## ►► Analysis and Boundaries of Sateri's Materiality Topics in 2017

Topics	Analysis and boundaries
High materiality topics	
Risk management	Sateri's operation involves manufacturing and customer service, and faces various risks in environmental management, social impact and governance, which could hamper corporate business development. To mitigate their impact requires risks identification, analysis and control.
Wastewater management	Sateri's viscose mills generate wastewater during production, affecting water sources of the surrounding communities. In the meantime, wastewater management is also an issue of concern for government, non-for-profit organisations, multi-stakeholder organisations/initiatives, media and brands. Wastewater management could effectively mitigate the impact of waste water on the environment.
Air emission and GHG emission management	Production at Sateri's operating mills generates air emission (including emission from the boilers of power plants, and sulphuric emission from production) and GHG emission, affecting the surrounding environment and communities. Meanwhile, air emission and GHG emission management are issues of concern for government, non-for-profit organisations, multi-stakeholder organisations/initiatives, media and brands.
Compliance management	Legal environment and compliance are the foundation of Sateri's operating. They also affect suppliers, direct customers, governmental bodies and non-for-profit organisations.
Occupational health and safety	At Sateri's operating mills (including viscose and textile mills), occupational hazard factors or safety hazards in production could affect the health and safety of its employees, suppliers and visitors. These factors are also issues of concern for government, non-for-profits organisation and brands.
Labour rights and benefits	Labour rights and benefits such as compensation, working hours, anti-discrimination, are in close relationship with the Company's reputation, and one of the focal points of Sateri's human resources management.
Responsible sourcing	Suppliers' (including dissolving pulp and chemicals suppliers) environmental, labour and social performance will affect Sateri's operation. By building systematic suppliers' assessment and sourcing standards could mitigate its impact on Sateri and business partners across the value chain. This topic is also a key concern for non-for-profit organisations.
Waste management	Sateri's operating mills generate non-hazardous and hazardous wastes in production. Hazardous wastes management will affect the mills, as well as the soil and underwater condition of the surrounding communities. Its transportation and handling may also affect the environment. This topic is also a key concern for government, multi-stakeholder organisations/initiatives and brands.
Chemicals management	Viscose production involves procurement, use and recycling of chemicals. Meanwhile, the amount of chemicals in products will affect Sateri's direct customers, users of Sateri's products and consumers across the value chain. As a high materiality topic, chemical management is one of top priorities for Sateri.

Topics	Analysis and boundaries
Medium materiality topics	
Water resource management	Viscose production consumes large amounts of water. Water resources management not only reduces operating costs of Sateri, but also reduces the total water consumption.
Production material efficiency	Raw materials, semi-finished products and packing materials used in viscose and yarn production increase the operating costs and amount of wastes generated in the operating mills. Costs saving and production material efficiency could be achieved through continuous improvement.
Product sustainability	Product properties of viscose such as safety and biodegradability are issues of focus for consumers and brands. Poor management of product sustainability may affect the business relations and development between the Company and its customers.
Energy efficiency management	The power plants in the mill complex consume coal. Its energy efficiency management directly affects its operating costs.
Transparency	Corporate governance (including but not limited to governance structure, negotiation, and decision making), and information transparency with external stakeholders directly affect Sateri's corporate reputation, and are issues of concern for non-for-profit organisations and multi-stakeholder organisations/initiatives (e.g. the Higg Index by SAC).
Product quality and development	The Company meets the needs of its customers and other business partners across the value chain (such as fabrics and garment brands) for differentiated products via product innovation and quality optimisation.
Employee training and development	Training and development could help employees acquire relevant professional skills and knowledge, and achieve professional growth at Sateri.
Collaboration for industry advancement	Adhering to the vision of enhancing the sustainable development of the viscose industry, Sateri joined hands with industry peers, non-for-profit organisations, industry associations, and business partners across the value chain to co-promote the development of industrial standards and technology.
Supporting community improvement	Sateri's operating mills conduct community development, creating jobs and supporting infrastructure construction.
Traceability	Sateri's direct customers and business partners across the value chain could trace the use of raw materials and basic production information of Sateri's viscose.
Employee care	Employee work efficiency is directly related to their physical and mental health. Employee care activities could boost employees' sense of belonging and work efficiency, fostering the construction of corporate culture.
Customer service	Customer service relations directly concerns customers' inquiry about Sateri's products and markets, complaints and satisfaction.
Community welfare	The educational, environmental, and cultural activities conducted by Sateri to address issues associated with communities and the society.
Volunteer service	By joining the volunteer association, employees at Sateri provide volunteer service to the public.





# Our Products and Services

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Sateri places a priority on services to customers through continuously improving the quality, safety and reliability of our products to ensure customer trust and satisfaction.

# Product Sustainability Management

Sateri's approach to product sustainability management involves three essential components: environmental-friendliness, safety and user-friendliness.

## Environmental friendliness

The environmental performance of fibre, (such as bio-based attributes) can effectively minimise environmental impact associated with product use and disposal, and mitigate greenhouse gas emission



## User-friendliness

Made from wood cellulose, viscose possesses attributes such as skin-friendly, breathability, absorbency, skin sensorial, guaranteeing good user experience for end-product consumers

## Safety

Fibre and yarn contain no harmful substances, and the end product use leaves no adverse impact on the health of consumers

Sateri's products have been certified by international accreditation bodies to meet global environmental and safety standards. For more details, please refer to sections *Certifications* ( page 11-12) and *Product Health and Safety* (page 45).

## For sustainability throughout the life-cycle of the product:

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

In section *Product Value Chain* (page 9-10) there is a brief introduction of the life-cycle of viscose (from raw materials, production, storage and transportation to the disposal or recycling). In other chapters of the Report (*Responsible Sourcing*, *Sustainable Products* and *Our Environment*) details are given on how Sateri implements sustainability strategies across the product life-cycle in raw materials sourcing, innovation in viscose fibres and production management.

# Responsible Sourcing

## Procurement Management GRI 102-9, 308-1, 308-2, 414-1, 414-2

### + Code of Conduct

The Company strictly complies with RGE's *Code of Procurement Ethics* (COPE), and requires all suppliers to sign our Supplier COPE and sourcing personnel to sign Sourcing Personnel COPE.

*COPE* clearly sets out the principles and values for business cooperation between the Company and its suppliers as well as their affiliates, requiring suppliers and employees to be committed to adhering to the principles of business integrity, fair competition and open communication. It also complies with the sustainability framework of RGE and Sateri, international trade conventions and policies, so as to avoid conflict of interests, prohibit gifts, and jointly create an honest and win-win business environment.

### + Supplier Evaluation

Sateri Shanghai has set up a dissolving woodpulp sourcing department that procures raw material for the viscose mills. More information is provided in the following *Pulp Sourcing* section.

Except for dissolving woodpulp, all Sateri's viscose mills have its own procurement department to procure various supplies. Each mill adopts the system of Approved Supplier List (ASL), Non-approved Supplier List (NSL) and Disapproved Supplier List (DSL) to manage suppliers of raw materials (excluding dissolving woodpulp), building materials, technical and consulting services. Sateri's sourcing department regularly evaluates suppliers of business association from ASL. If found to have caused any adverse environmental or social impact with validated records or penalties, the supplier under evaluation would be moved to NSL or DSL. Sateri terminates business cooperation with suppliers listed in the NSL or DSL. The Company assessed a total of 136 ASL suppliers in 2017, including two from Linz Nanjing.

For new suppliers, Sateri developed and implemented the *Selection and Prequalification of Suppliers* procedure, which evaluates all new suppliers in:

- Business ethics and integrity;
- Quality control system and applicable standards;
- Environmental, health and safety commitment, environmental policy, environmental programme objective, key environmental performance as well as carbon effect.

In 2017, Sateri's viscose mills evaluated 227 new suppliers, and Linz Nanjing evaluated two new suppliers.



The dissolving woodpulp used in making Sateri's viscose are produced from the fast-growing and eucalyptus and acacia trees developed on sustainably-managed plantations.



### Pulp Sourcing Policy

Building on the foundation of comprehensive implementation of RGE's *Forestry, Fibre, Pulp & Paper Sustainability Framework*, Sateri launched its *Pulp Sourcing Policy* in June 2015, and updated the policy in March 2017.

Sateri avoids using wood pulp that is:

- illegally harvested or traded
- from forests of high conservation value (HCV), high carbon stock (HCS)<sup>[1]</sup>, from ancient and endangered forests or from the habitats of endangered species;
- from natural forests;
- from the conversion or simplification of natural forests to plantations after June 2015<sup>[2, 3, 4]</sup>;
- 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

Note: The above content is extracted from Sateri's Pulp Sourcing Policy

[1]. The HCV approach is the process in which HCVs are identified, managed and monitored: <https://www.hcvnetwork.org/about-hcv/the-hcv-process-folder>. As HCS is a new concept, introduced primarily in Indonesia, Sateri will use HCS criteria from the High Carbon Stock Approach toolkit (<http://highcarbonstock.org/>). These tools will ensure that Sateri's sourcing does not contribute forest loss according to the HCV Approach and to better assess pulp suppliers from Indonesia.

[2]. Sourcing from plantations converted after June 2015 could occur when HCS natural forests and HCV areas are identified, protected or maintained to ensure the HCS and HCVs continue to support inherent environmental services and biodiversity or when the plantations are certified to FSC standards by a credible third-party auditor. HCV and HCS areas will be identified and mapped by a credible third-party auditor and landscape conservation assessments and plans will be developed with credible experts and agreed with interested parties and then implemented.

[3]. Consistent with RGE Sustainability Framework: <http://www.rgei.com/files/rge-sustainability-framework.pdf>

[4]. For plantations converted between 1994 and June 2015, Sateri has a preference for suppliers who promote the restoration, protection and conservation of natural forests and who are committed to environmental compensation for past conversions of HCV areas.

Following the establishment of our policy, we have been organising trainings in sustainable pulp sourcing standard procedures and international sustainable forestry standards that strengthen employees' understanding on *Pulp Sourcing Policy*.

## Supplier Management

In accordance with our *Pulp Sourcing Policy*, we requires all suppliers to sign the *Letter of Declaration and Commitment to Sateri's Pulp Sourcing Policy*. We also developed and implemented a risk assessment system to evaluate wood pulp suppliers in the following six areas of sustainability performance:

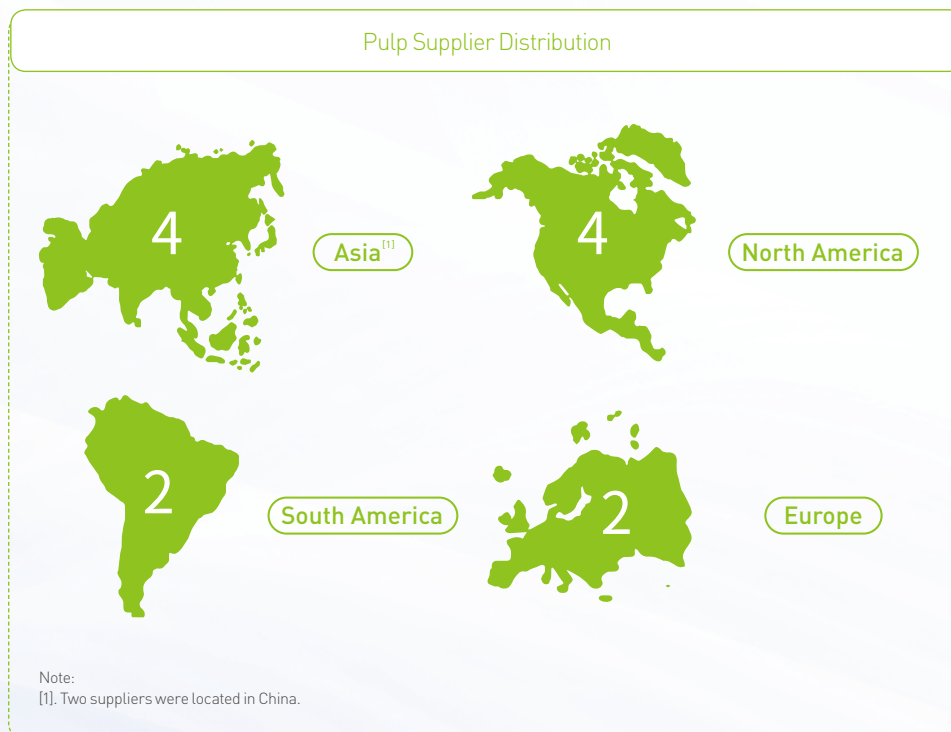


Detailed assessment include: forest origin, rotation period, history of land, harvesting permit, forest management certification, dissolving woodpulp production efficiency, waste generated from dissolving pulp production, human and labour rights protection, sustainable forest sourcing management and social responsibility practices. Sateri implements the appropriate purchasing decisions based on the results of assessments (high, medium, low risk).

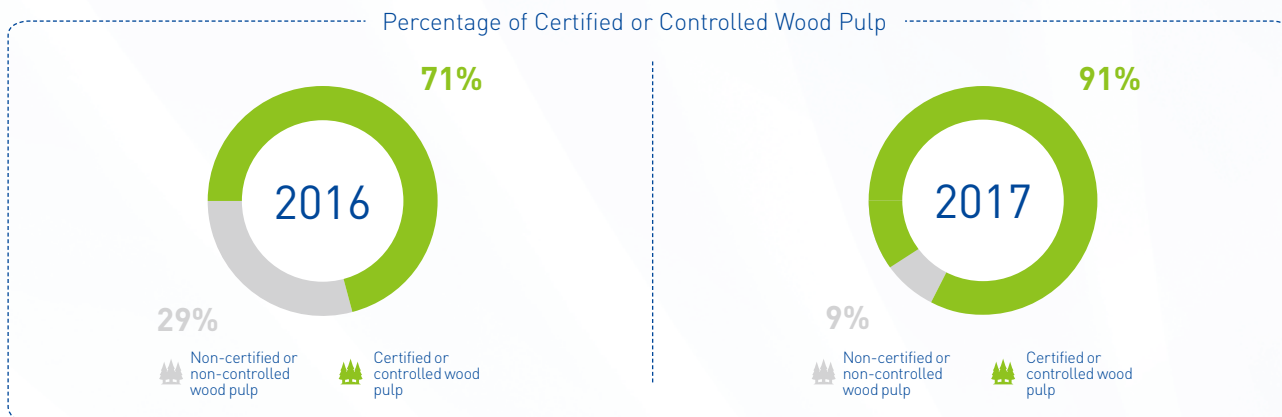
Sateri also actively solicits feedback from NGOs and other stakeholders to improve our supplier management practices. In 2017, as part of the risk assessment on pulp suppliers, Sateri required suppliers to provide specific information on forest origin, the geographical location information and topographic map of the plantation or forest areas from where they source their wood. As at the end of 2017, Sateri received forest location maps from dissolving wood pulp suppliers who supply over 80% of Sateri's total dissolving wood pulp requirements.

## Pulp sourcing

During the reporting period, Sateri sourced dissolving woodpulp from 12 suppliers across four continents.



Sateri encourages suppliers to obtain Chain of Custody certifications for dissolving wood pulp and progressively increase the proportion of certified or controlled woodpulp sourced. In 2017, 91% of our sourced dissolving wood pulp was PEFC™ or controlled pulp.



More than 88% of our purchased dissolving woodpulp in 2017 originated from eucalyptus and acacia plantations in Brazil, Indonesia and Malaysia.

Sateri also continues to expand portfolios of its raw material sources and to source the wood pulp with the certification like FSC® Certified, PEFC™ Certified, FSC® Controlled Wood and PEFC™ Controlled Source.

#### ►► Definitions of PEFC™ and FSC® Certified and Controlled Wood

Category	Definition
PEFC™ Certified	Raw materials certified by PEFC™ Chain of Custody Claims.
PEFC™ Controlled Source	Materials that have undergone the PEFC™ due diligence systems such that the risk of materials from controversial sources is minimised to the lowest level.
FSC® Certified	Materials of FSC® 100%, FSC® Mix or FSC® Recycle claims, from FSC® certified suppliers.
FSC® Controlled Wood	Materials from acceptable sources (per the criteria stipulated by FSC®) that can be mixed with FSC-certified material controlled wood sourcing assessment and with FSC® controlled wood claims.

#### PEFC™ CoC certification

PEFC™ Chain of Custody (CoC) certification is a mechanism for tracking certified material from the forest origin to the final product to ensure that the wood, wood fibres or other non-wood forest materials contained in the product or product line can be traced back to certified forests. All Sateri's viscose mills have obtained the PEFC™ CoC certification. We trace the wood pulp through the Chain of Custody system and work closely with our suppliers to improve customers' and consumers' awareness of the importance of sustainable forest management, in order to promote the green and sound development of viscose industry chain.

#### CanopyStyle Initiative

Sateri continuously strengthens international cooperation to improve sourcing management. In November 2016, Sateri engaged Rainforest Alliance (RA) to conduct audit on its viscose mills according to the CanopyStyle audit framework and guidelines developed by Canopy, an environmental NGO. Sateri is one of the first few viscose manufacturers to have completed the audit, and on 21 May 2018 jointly published the audit report with Canopy and RA. Sateri will continue to strengthen its sourcing practices, and worked with civil society organisations and other relevant stakeholders to promote the sustainable development of natural resources in an open and transparent manner.



## Chemicals Sourcing



Sateri procures chemicals primarily for production, R&D and utilities. All Sateri's viscose mills have established a chemical management system (including hazardous chemicals) that defined the responsibilities of respective departments and regulates the management of chemical procurement. The Company does not source and use highly toxic chemicals. The main chemicals purchased include caustic soda (NaOH)<sup>[1]</sup>, carbon disulphide (CS<sub>2</sub>), sulphuric acid (H<sub>2</sub>SO<sub>4</sub>), zinc sulphate (ZnSO<sub>4</sub>) and sodium hypochlorite (NaClO).

For chemical suppliers, in addition to the supplier evaluation principles described in *Procurement Management* Section, Sateri also benchmarked its chemical procurement practices against international standards and guidelines for improvement. All viscose mills strictly control the category and quantity of chemicals sourced in accordance with the requirements of STeP by OEKO-TEX®, STANDARD 100 by OEKO-TEX® and Substances of Very High Concern (SVHC) under EU REACH.

SFJ has developed the Restricted Substance List (RSL) and Manufacturing Restricted Substances List (MRSL) according to above-mentioned standards and ZDHC requirements. The mill sources chemicals according to requirements of these two lists, and appropriate chemical management measures are implemented by the relevant departments, as shown in table below. The RSL and MRSL are updated annually.

By imposing enforceable limits on hazardous substances in chemical formulation, Sateri ensures that customers and consumers are provided with safer products.

### ►► Chemicals Sourcing Management

Department	Main Management Measures
Quality Assurance and Quality Control	<ul style="list-style-type: none"> <li>Submit major chemicals used by the Company for third-party analysis annually to determine existence of restricted substances in RSL, and update RSL and MRSL annually.</li> </ul>
Technical Department	<ul style="list-style-type: none"> <li>Continuously seeking alternatives to chemicals in RSL to minimise potential harm of restricted substances to humans and environment.</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Responsible for developing suppliers, carrying out qualification checks for suppliers, transport enterprises and their employees, and organising relevant department for field audit and supplier assessment;</li> <li>Selecting and sourcing acceptable chemicals according to RSL and MRSL developed by quality department, requesting suppliers to submit Material Safety Data Sheet (MSDS) of the corresponding chemicals, identifying chemicals required for production, and maintaining the warehouse entry/exit records of the chemical sourced and the active inventory;</li> </ul> <p>Regarding precursor chemicals (e.g. sulphuric acid, hydrochloric acid), complying with regulations set by Public Security Department on procurement procedure, filing and gaining approval through designated information system platform, and purchasing such chemicals upon approvals.</p>

Note:

[1]. All caustic soda was purchased in China. Our suppliers use ion-exchange membrane electrolysis to make caustic soda. In China, the mercury electrolysis process for caustic soda has been eliminated. According to EU regulations, the mercury electrolysis process was also phased out in Europe at the end of 2017.

## Sustainable Products

### Product Innovation and Green Products

Today, consumers have increasing demands for textile products, such as improved absorbency, shape retention, wearability and colour vibrancy. As direct customers of fibre, yarn mills also place high demands on high tenacity, spinning speed, yarn defect and hairiness. To meet these needs requires innovation in fibre materials.

Sateri has a dedicated new product innovation team and an Application Development Centre in Linz Nanjing for innovation, research and development. Through collaboration with relevant business partners across the value chain (including yarn and fabric enterprises, professional research and academic institutions), we are able to develop competitive and differentiated products.



## ⊕ Sateri BV® Product Solution

Believing that the best yarn comes from the best fibre, Sateri and its value chain partners have jointly developed BV® (Best Viscose) fibres tailor-made for different yarn spinning technologies.

Sateri's BV® series fibres consist of:

**BVO** Open-end spinning viscose

**BVM** Vortex spinning viscose

**BVR** Ring/compact spinning viscose

**BVF** Fine-count yarn viscose

Compared to conventional viscose fibres, the BV® fibre series have significantly improved production efficiency, spinnability and product performance, which not only enhances yarn quality, but can also effectively reduce material loss, energy consumption and labour intensity during yarn production. Taking the BVM™ product as an example, under the the same spnning conditions, yarn made of BVM™ fibres has 50% lower cuts, 5.5% higher output than conventional viscose fibre, and less yarn breaks per 100 km compared to other similar products. <sup>[1]</sup>

Fabrics made from BV® fibres also demonstrate improved tenacity, wearability, dyeability, pilling resistance and shape retention. These qualities can better serve designers and brands, inspiring them to develop apparel products that are in line with the desires of today's customers.

## ⊕ Spun-dyeing Process Application - Sateri Colour™ Viscose

In 2017, Sateri launched Colour™ Viscose made with spun-dyeing process, which injects the dye into the liquefied cellulose pulp before the fibres are formed so that the colour is locked in and evenly spread. Compared to traditional dyeing process, these spun-dyed fibres not only retain their lustre, but also help the environment by cutting down on the usage of water and chemicals in traditional dyeing. Data from credible sources show that cost of making per tonne of fabric from spun-dyeing fibres is 30%-50% lower than that made from conventional fibres. Furthermore, per tonne of medium-depth colour fabric can save about 11,000 kWh energy, 100 tonnes of water, and dyes and chemicals used by 150 kg. <sup>[2]</sup>



Note:

[1]. Based on laboratory test results conducted in Linz Nanjing, Vortex spinning facility was Murata 870, and yarns tested was BVM™ vortex spinning 30S/1. Other viscose fibres tested were products purchased from peer companies.

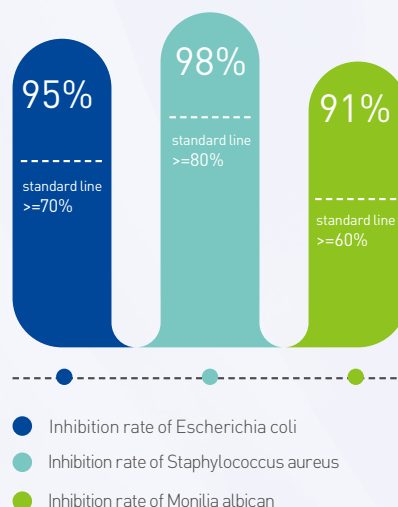
[2]. Data from the Manual for Certification of Green Fibre Logo published by China Chemical Fibers Association.



## + Other functional fibres - Antibacterial Fibre

Antibacterial viscose refers to viscose that destroys or inhibits micro-organisms such as bacteria, fungi and viruses. It not only prevents textiles from being damaged by microbial contamination, but also to prevent infectious diseases, ensure human health and comfort, reduce cross infection in the public environment and enable the textiles' new function of hygiene.

Sateri's Antibacterial Fibre is the only active antibacterial cellulose fibre in the market, and the only natural fibre which could inject antibacterial agents into the inner structure of the fibre during the spinning process to achieve permanent antibacterial effects. According to laboratory tests, Sateri Antibacterial Fibre maintains its optimal antibacterial properties having been rinsed 50 times.

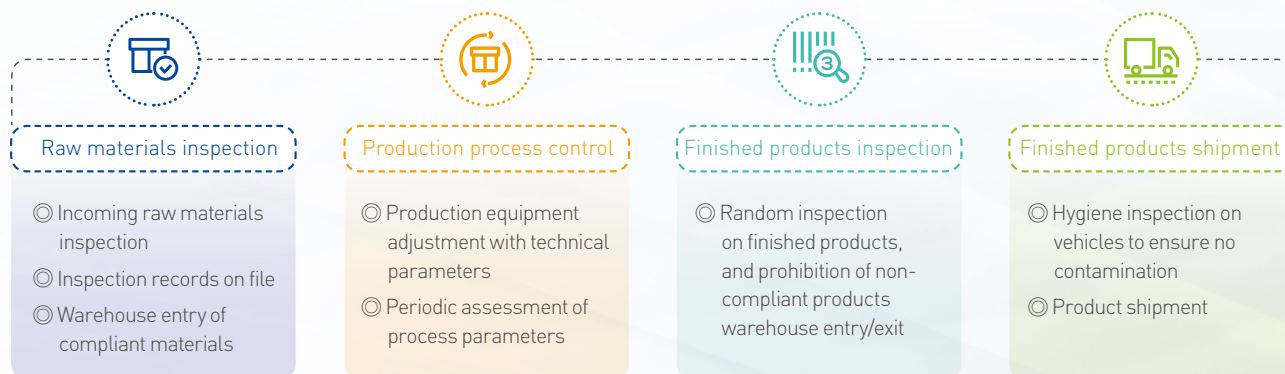


## Product Quality Control GRI 416-1, 417-1



Adhering to the quality policy of "Contributing to society, serving our customers and striving for excellence", Sateri has set up at all its mills an ISO 9001-based quality management system to ensure compliance with relevant regulations and industry standards, from specification setting, research and development to production, packaging and transportation. Stringent quality control starts from the receipt raw materials through processing, production to finished product inspection and delivery.

### ▶▶ Product Quality Control Process



## + Product Health and Safety

The end applications of Sateri's viscose products include textiles and non-woven hygiene products.

With the strengthening of regulatory requirements and increase of public awareness, consumers are increasingly paying more attention to the health, safety and environmental attributes of the viscose products. Sateri actively carries out relevant certification and testing to ensure our products meet the expectations of customers and consumers.

### ►► Product Certifications and Tests

Testing and Certification	Scope of application
STANDARD 100 by OEKO-TEX® certification <sup>[1]</sup>	Woven and non-woven viscose
Skin friendly/hypoallergenic certification by Hohenstein Institute	Woven and non-woven viscose
Wear comfort certification by Hohenstein Institute	Textile fabric containing 100% Sateri viscose
Regulation concerning the Registration, Evaluation Authorisation and Restriction of Chemicals (REACH) test <sup>[2]</sup>	Woven and non-woven viscose
EU Restriction of Hazardous Substances (RoHS) test <sup>[3], [4]</sup>	Woven and non-woven viscose
Skin irritation test <sup>[4]</sup>	Non-woven viscose
Skin sensitisation test <sup>[4]</sup>	
Cytotoxicity test <sup>[4]</sup>	
Bioburden analysis test <sup>[4]</sup>	
In-vitro cytotoxicity test <sup>[4]</sup>	
Pathogenic bacteria (including escherichia coli, pseudomonas aeruginosa and staphylococcus aureus) test <sup>[4]</sup>	

Note:

[1]. STANDARD 100 by OEKO-TEX® certification applies to woven and non-woven viscose (white and black), and other certifications and tests apply to woven and non-woven viscose (white).

[2]. Compliance with REACH test means that the product tested meets the obligation of providing safe handling information under EU REACH.

[3]. RoHS tests restricted substances in products including lead (Pb), cadmium (Cd), mercury (Hg), chromium-6 (Cr<sup>6+</sup>), polybrominated biphenyls (PBBs), polybrominated diphenyl Ethers (PBDEs) and other hazardous substances.

[4]. In 2017, SFJ successfully passed the RoHS test, skin irritation test, skin sensitisation test, cytotoxicity test, bioburden analysis test, in-vitro cytotoxicity test and pathogenic bacteria test.

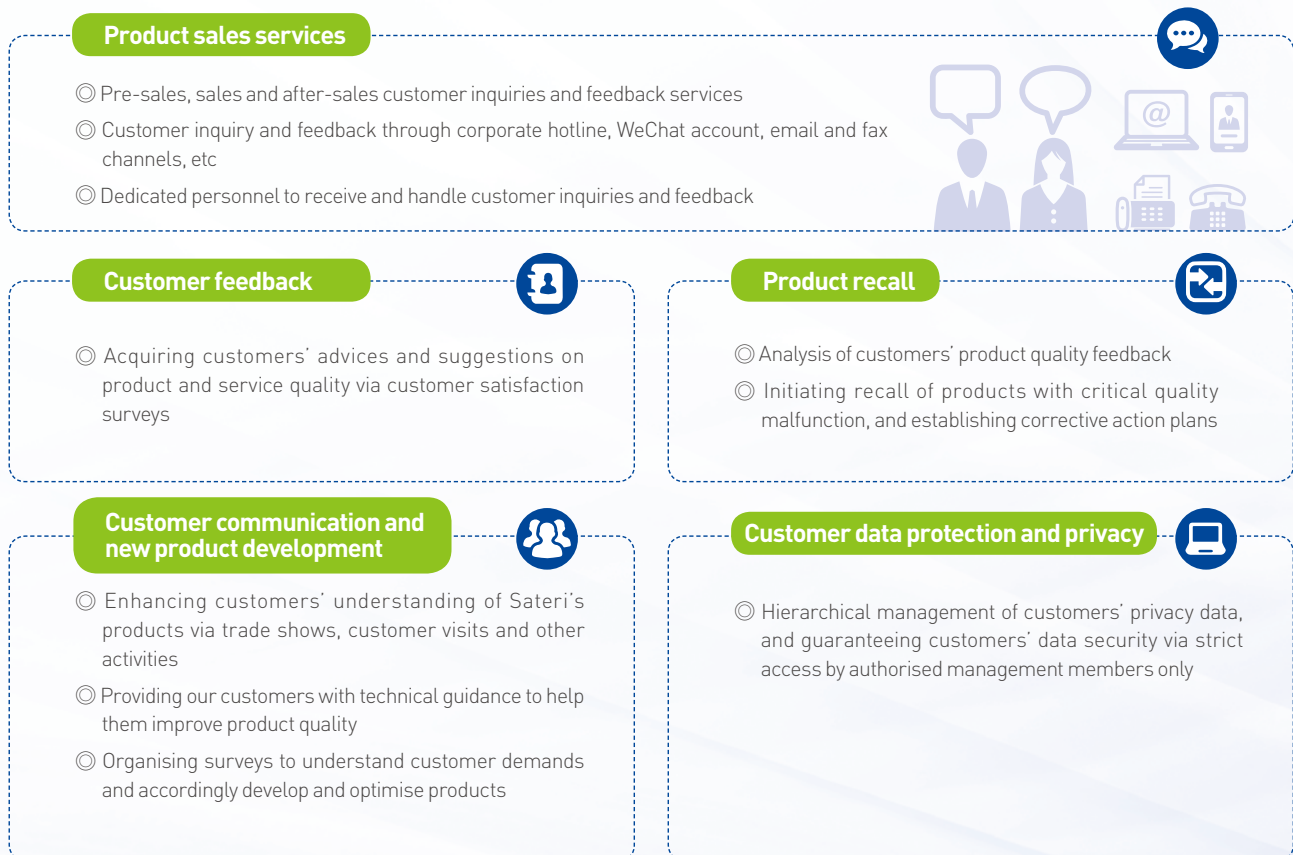
# Enhancing Customer Service

## Customer Service

Sateri is committed to developing customer loyalty by building trust and enhancing customer value. To this end, the Company has established a robust customer service system and a customer service team comprising key quality and technical personnel. The Company's customer service system covers pre-sales, sales and after-sales. Customer communication and satisfaction survey results form the basis for continuous improvement of our service quality, and relevant measures are taken accordingly to ensure customer satisfaction.

In 2017, Sateri achieved a 100% response rate to the handling of all customer feedback. The viscose mills carried out satisfaction surveys among 150 textile fibre and 40 non-woven fibre customers, among which the textile fibre customers rated 81.5 out of 100, and non-woven customers rated 81.4. The overall satisfaction level is higher than that in 2016.

### Customer Service System





## Sateri Premium Fibre Programme

The quality of viscose is critical to the production of high quality viscose yarns. The Sateri Premium Fibre Partnership Programme is designed to help fabric producers recognise and choose high-quality viscose yarn products. To ensure the integrity of this programme, the Company evaluates the product quality and reputation of yarn manufacturers under the programme, and awards licenses to those who passed the assessment to carry the Sateri Premium Fibre emblem on their yarn products as a mark of quality.

In 2017, Sateri held a ceremony to award the Sateri Premium Fibre licenses to our yarn manufacturer partners. This initiative not only demonstrates Sateri's commitment to yarn quality but also its efforts to promoting the development of viscose industry.

Note:

[1]. In the case of fibre blends (such as viscose/polyester), Sateri viscose must constitute not less than 30% of total fibre usage.



For licensees with products using 100% Sateri viscose in their yarns.



For licensees with products using at least 60% Sateri viscose in their yarns<sup>[1]</sup>.

## + Value Chain Collaboration

### I Love Viscose (ILV) Studio



In order to facilitate the integration of viscose industry resources, such as yarns, fabric knitting, dyeing and finishing, garments and fashion brands, Sateri is working with fabric designers and manufacturers to promote the development of viscose fashion fabrics, help the fabric manufacturers and brands complete industrialisation deployment, and set up the I Love Viscose (ILV) Studio.

The ILV Studio aims to promote viscose fibre into fashion by providing fabric manufacturers and brands with prospective insights into viscose applications and trends outlook through a wide range of activities and resources, including releasing viscose trends, fabric innovation and development, as well as partnership programmes, etc.

## Sateri's Viscose in Use

Sateri's viscose are widely used in the making of clothes and home textiles, as well as disposable hygiene products in direct contact with human skin, such as baby wipes, beauty masks and medical dressings, etc.



Clothes

Home textile

Disposable hygiene  
products





# Our Environment

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Sateri is committed to sustainable development and environmentally sound business practices. To meet our objective of a green and efficient production, our environmental management approach includes adherence to the principles of compliance with laws and regulation, pollution prevention, energy conservation, consumption reduction and continuous optimisation.



# Environmental Management

## Environmental Management System and Measures

GRI 102-11, 103-1, 103-2, 103-3

Sateri actively implements our commitment to environmental sustainability, and has developed comprehensive environmental management system. All Sateri's viscose mills have set up Environment, Health & Safety (EHS) management committees comprising mill managers, EHS Department and other relevant department representatives responsible for environmental matters. The committee systematically manages environmental-related matters and hold regular meetings to discuss and address emissions performance, including monitoring and internal audit results. Presently, Sateri has 29 full-time EHS professionals.

Continuous improvement is one of the core values of RGE. To effectively improve resource utilisation efficiency and reduce emissions, Sateri established a continuous improvement department and formulated relevant management measures. The Company encourages all employees to actively participate in continuous improvement programmes, and to implement them effectively through process management, periodic reviews and verification measures. In 2017, we launched 166 continuous improvement programmes, with a completion rate of approximately 77%.

Beyond compliance, we have standardised our environmental management across our operations and benchmarked their performances against international standards and best practices, such as STeP by OEKO-TEX® and Higg Index FEM 3.0.

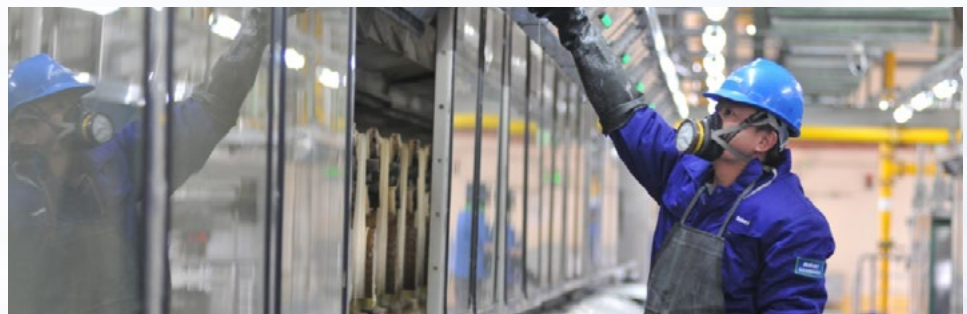
We continuously seek ways to reduce our mills' impact on the surrounding environment. This includes making investments to lower pollutant emissions and discharge into the air and waterways. In 2017, we invested RMB 176 million<sup>[1]</sup> (USD 25.6 million) in various mitigation projects, a 41.6% increase in the amount spent, compared to 2016.

### ►► Sateri's Key Environmental Protection Projects in 2017

Mill	Environmental Protection Projects
SJX	Biochemical tank aeration system retrofitting Carbon disulphide recovery and spray separation
SFJ	Wastewater pipe retrofitting Biochemical wastewater tank retrofitting
SJJ	Phase II wastewater treatment facility construction Wastewater trench enhancement

Note:

[1]. Data excludes non-completed environmental protection investments in 2017



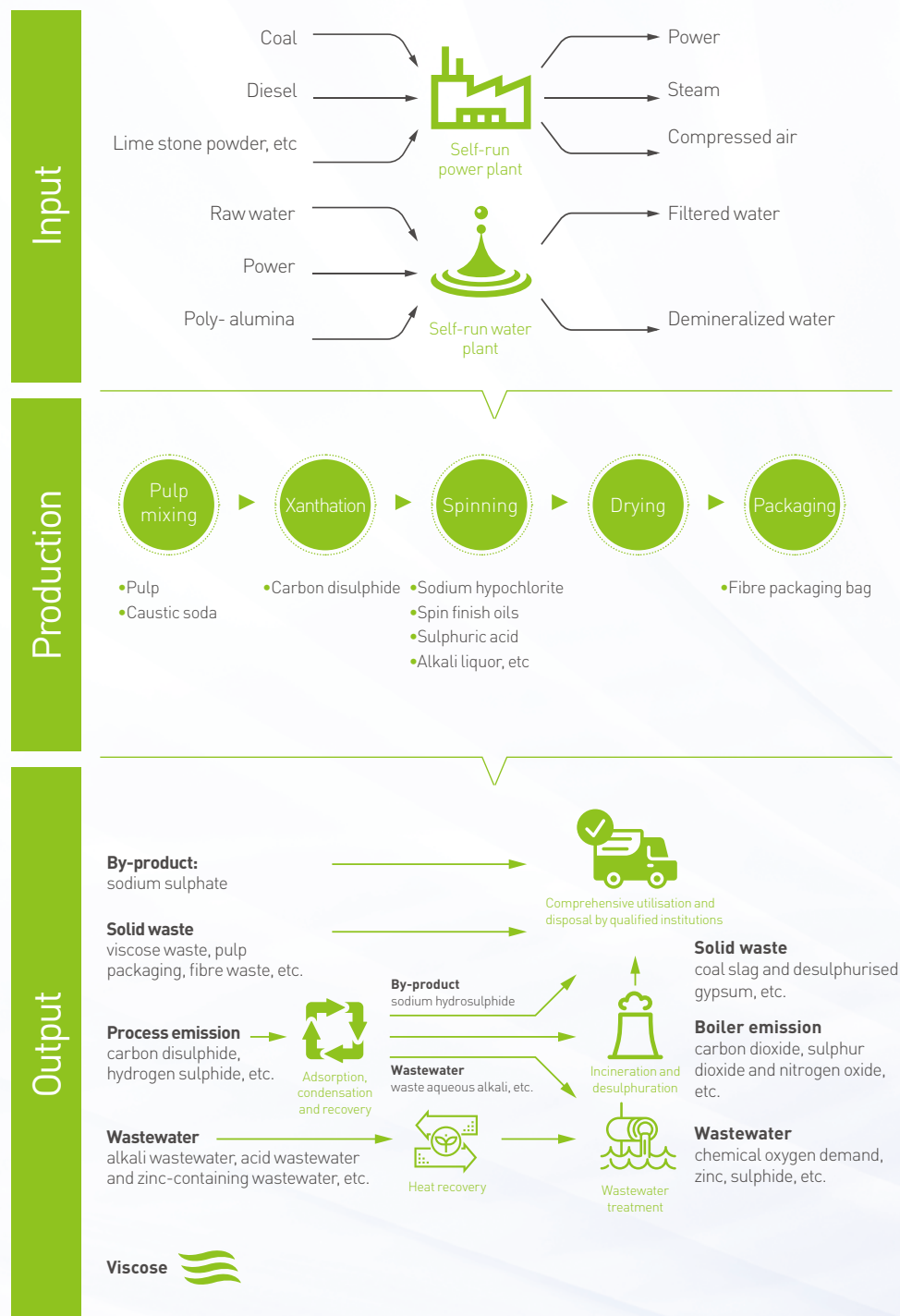


## Environmental System Analysis



Sateri evaluates the potential environmental impact of all stages of the production process to identify opportunities for improvement that will result in reduction of resource use and emissions.

### ►► Overview of Environmental System Analysis of Sateri's Viscose Mill





## ►► Overview of Input/Output of Sateris' Viscose Mills

### Input

#### Water Resource

Total fresh water consumption<sup>[1]</sup> (10 thousand tonnes)



Include: Surface water withdrawal (10 thousand tonnes)



Purchased and water reservoir water (10 thousand tonnes)



#### Energy

Total energy consumption<sup>[1], [2]</sup> (terajoule)



#### Production Material

Carbon disulphide (CS<sub>2</sub>) and consumption (tonne)



### Output

#### Wastewater

Wastewater discharge<sup>[1]</sup> (10 thousand tonnes)



Chemical oxygen demand (COD) discharge (tonne)

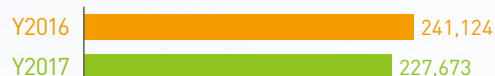


Ammonia nitrogen (NH<sub>3</sub>-N) discharge (tonne)

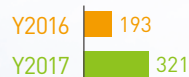


#### Waste

General waste produced<sup>[5]</sup> (tonne)



Hazardous waste produced<sup>[6]</sup> (tonne)



#### Air Emission

Carbon disulphide (CS<sub>2</sub>) emission<sup>[3]</sup> (tonne)



Hydrogen sulphide (H<sub>2</sub>S) emission<sup>[3]</sup> (tonne)



Greenhouse gas emission<sup>[4]</sup> (tonne CO<sub>2</sub> equivalent)



►► Overview of Unit Viscose Product Consumption/Emission of Sateris' Viscose



Note:

[1]. In 2017, Sateri increased the production capacity of its mills by 11.9%, compared to 2016. This resulted in an increase of energy and water consumption, as well as wastewater discharge.

[2]. Energy consumption excludes surplus electricity supplied from Sateri's power plant to the grid. To allow comparison, the 2016 figures have been restated accordingly.

[3]. Carbon disulphide (CS<sub>2</sub>) and hydrogen sulphide (H<sub>2</sub>S) emission data was derived from the 120-metre exhaust towers of SJX and SJJ, as well as 210-metre exhaust tower of SFJ.

[4]. According to the Greenhouse Gas (GHG) Accounting report, the GHG emissions data includes emission from the power plant of SJX, the viscose mill and power plant of SFJ, and the direct and indirect emissions from the power plant of SJJ.

[5]. According to Environmental Impact Assessment (EIA) report, sludge from wastewater treatment plant that is incinerated by Sateri's power plant is no longer considered as general waste generated by the mills. In view of this change, the figures in 2016 have been restated accordingly.

[6]. During the reporting period, waste activated carbon underwent replacement. In compliance with requirements of local environmental protection departments, SFJ and SJJ classified waste activated carbon as hazardous waste in 2017. SJX replaced forklift truck batteries in 2017. As a result, the volume of generated hazardous waste increased in comparison with the year of 2016.

[7]. According to the 2017 *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry [Viscose Process] (Consultation Draft)*, when calculating the fresh water consumption per unit product, total production amount is no longer calculated based on the standard linear density of 1.67dtex. The 2016 figure is therefore restated in accordance with this new standard.

[8]. Sateri's multiple projects in the expansion of mill production capacity in 2017 resulted in energy and water consumption, as well as wastewater discharge, and consequently a rise in consumption and discharge per unit product.

[9]. According to 2017 *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry [Viscose Process] (Consultation Draft)*, when calculating the energy consumption per unit product, total production amount is calculated based on the standard linear density of 1.67dtex.

[10]. The energy consumption per unit production in *Sustainability Report 2016* was incorrect and has been restated accordingly.

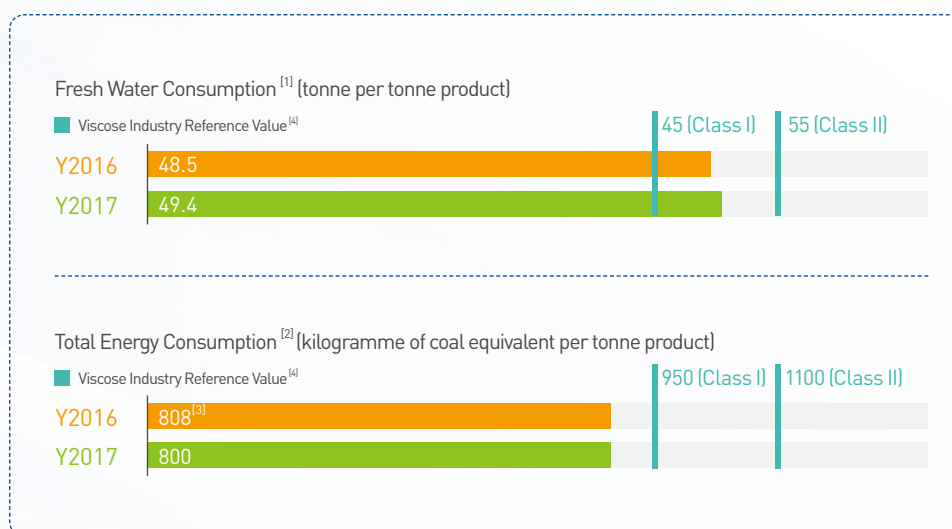
[11]. The 2016 figures have been restated as total production amount is no longer calculated based on the standard linear density of 1.67dtex.

# Improving Resources Efficiency

GRI 302-3

Sateri continually explores ways to improve resource utilisation during the production process. We have developed and are implementing the *Technological Improvement Project Management System* to identify areas of improvement and to optimise processes to meet the industry standards on resource efficiency.

## ►► Overview of Resource Consumption of Sateri's Viscose Mills for Year 2016 and 2017



Note:

[1]. According to the 2017 *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process)* [Consultation Draft], when calculating the fresh water consumption data of a unit product, total production amount is no longer calculated based upon the standard linear density of 1.67 dtex. In accordance with this new standard, the fresh water consumption per unit product in 2016 was recalculated to be 48.5 tonnes per tonne product.

[2]. According to 2017 *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process)* [Consultation Draft], during the calculation of total energy consumption per unit product, total production amount is calculated based upon a titre of 1.67 dtex.

[3]. The energy consumption per unit production figure in *Sustainability Report 2016* was incorrect, and has been restated accordingly.

[4]. The industry reference values are derived from the same Assessment Indicator System, in which Class I values represent global leading standard and Class II values represent national advanced standards.

## Production Material Saving GRI 301-1



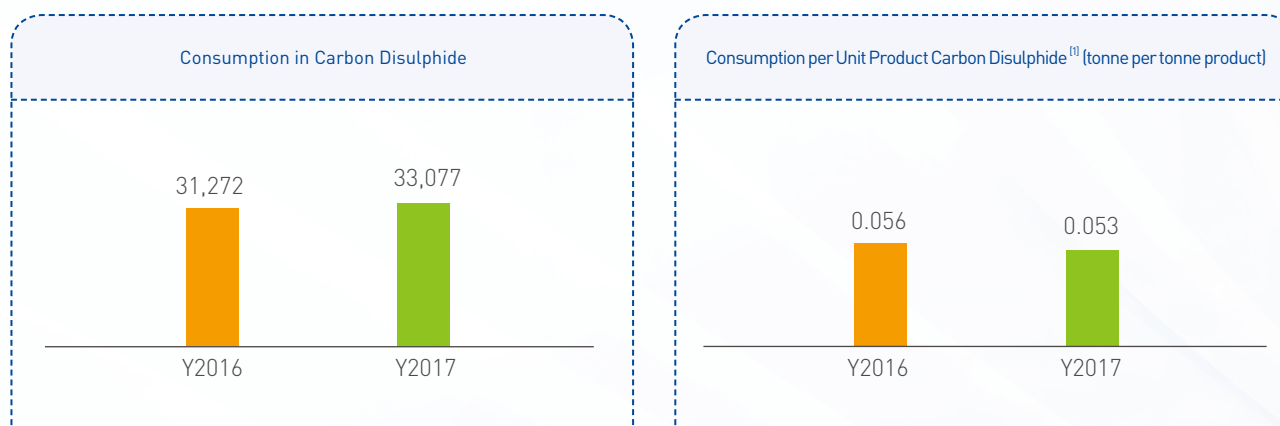
Sateri's viscose mills explored various possibilities of saving production materials, and continuously improved production technology, enhancing material utilisation and realising an efficient production.



## ►► Key Projects and Results of Production Material Savings in Sateri's Viscose Mills (2017)

Project	Improvement Measure	Results
Reduction for pulp consumption per unit product	Optimising production process	Improved overall production performance, reduced total COD in wastewater, and mitigated wastewater treatment load
Consumption reduction of raw materials for wastewater treatment	Optimising the raw material utilisation processes for wastewater treatment	Improved utilisation of limestone, caustic soda and other materials; reduced wastewater discharge per unit of product and consumption of raw materials
Production process control system optimisation	Deploying advanced automated Distributed Control System (DCS)	Reduced possibilities of potential losses from human-error accidents, thus saving resources and energy
Sodium sulphate packaging material waste reduction	Redesigning sodium sulphate packaging and optimising bagging process	Improved packaging, reduced material usage, and reduced sodium sulphate warehouse pollution

## ►► Consumption of Carbon Disulphide of Sateri's Viscose Mills for Year 2016 and 2017



### Reducing Waste of Sodium Sulphate Packaging Material

To further improve utilisation efficiency of production packaging and reduce the amount of use, in 2017, SFJ implemented a continuous improvement project to reduce sodium sulphate packaging material waste. By analysing the causes for leakage during the packaging process, taking characteristics of the packaging process and packaging materials into consideration, SFJ's Technical Department redesigned their packaging bags. By modifying the size of packaging, it managed to save approximately 6%~7% of packaging materials per bag. The Mill also revised the package sizing section in *Raw Materials Standards* to include requirements for field surveys to be conducted before setting subsequent standards and measures, so as to further improve the Mill's capacity in saving similar materials.

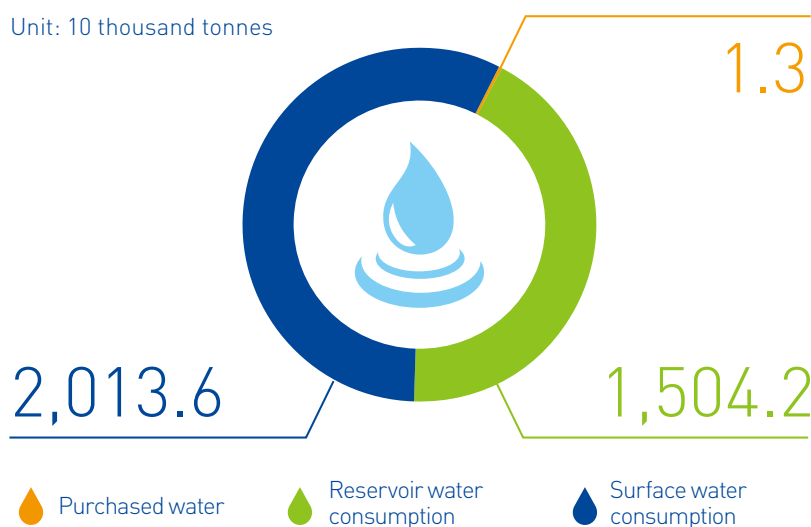
Note:

[1]. The unit product consumption data is calculated according to the calculation requirements of the 2017 *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process) (Consultation Draft)*, not calculated to the standard linear density of 1.67dtex.

Sateri manages its water resources in strict accordance with the local water withdrawal permits and utilisation standards for our production sites, and works to reduce water consumption in production by conducting continuous improvement programmes. In 2017, Sateri consumed about 3,519.1 tonnes of freshwater. Water for our viscose mills was drawn from reservoirs and natural waterways, and that for Linz Nanjing was purchased.

### Water Consumption of Sateri in 2017

Unit: 10 thousand tonnes



In 2017, our freshwater consumption per unit production was 49.4 tonnes. The freshwater consumption per unit production in 2017 increased by 1.7% in comparison with 2016 due to the capacity expansion activities undertaken by the Company.

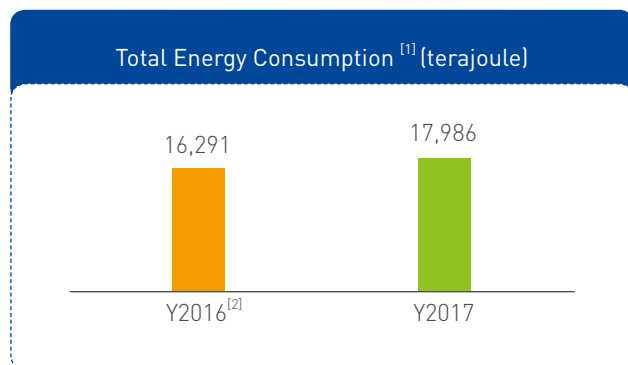
### Reducing Soft-Water Consumption

In 2017, SJJ implemented a 6-month continuous improvement project on reducing the use of soft-water consumption per tonne of viscose produced. Through detailed analysis of multiple processes including water intake, purification, production, recovery and wastewater treatment, SJJ has identified five process areas with water use improvement potential and recommended improvement measures accordingly. After optimising the washing cycle in the refining process, adjusting carbon disulphide recovery process and replacing the pumps etc, the average soft water consumption rate per tonne of viscose produced was reduced by 21.0% from 43.8 tonnes to 34.6 tonnes, effectively saving our water use by 1,211,758 tonnes of water per annum.

All of Sateri's viscose mills are powered by their respective power plants for viscose production and surpluses are supplied to the local grid, while Linz Nanjing purchases power to support its operation.

To further reduce its energy consumption, in 2017, Sateri developed a system for energy management. SJX installed an online monitoring system to monitor and regulate electric equipment with capacity of over 50 kW to improve power utilisation.

### ►► Distribution of Energy Consumption of Sateri for Year 2016 and 2017



Note:

[1]. Total energy consumption excluded surplus electricity supplied to the grid from Sateri's own power plants.

[2]. The energy consumption figure in *Sustainability Report 2016* was incorrect, and has been restated accordingly.

Our total energy consumption per unit viscose production in 2017 was 800 kg of coal equivalent per tonne product, 1.1% lower than the previous year, and below the Class I limit of the 2017 *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process) (Consultation Draft)* which stipulate a value of less than or equal to 950 kg of coal equivalent per tonne product.

### ►► Main Projects and Results of Energy Saving of Sateri's Viscose Mills in Year 2017

Project	Improvement Measure	Main Result
Steam condensate recycling	Used heat exchanger to recover energy of steam condensate, and the recovered heat is used to heat the demineralized water	Recycled the demineralized water while reducing raw coal and water consumption
Sulphur tank condensate recycling	Recycled hot sulphur tank condensate	Reduced filtered water consumption and flow of hot water into the trench to reduce acid wastewater temperature, and improved the energy efficiency of wastewater

#### Reducing Power Plant Electricity Consumption

Sateri promotes energy saving, emission reduction and efficient production, and implements numerous energy saving improvement measures in our mills. SJX Power Plant Department started the analysis of equipment operation performance of the power plant in January 2017. The Department identified, controlled and optimised inefficient equipment and processes which reduced power consumption of the power plant, increased its power supply capacity, and consequently reduced its purchase of electricity. By December 2017, the average electricity consumption per tonne of SJX's viscose produced decreased from 238 kWh/tonne in 2016 to 226 kWh/tonne in 2017, with an estimated power saving of 2,416 kWh.



# Emission Reduction

## Air and Greenhouse Gas Emission Reduction GRI 305-1, 305-7

The waste gas generated by Sateri's viscose mills was mainly flue gas from the coal-fired boilers and exhaust gas from production processes. The main pollutants included carbon disulphide (CS<sub>2</sub>), hydrogen sulphide (H<sub>2</sub>S), sulphur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>) and smoke. As Linz Nanjing has different production process and equipment from the viscose mills, waste gas generated by the yarn was mainly dust from the production workshop.

Our viscose mills use industry-leading processes to collect, recycle and treat waste gases, and continuously improve production processes to reduce air emissions by referencing the *European Commission's (2007) Reference Document on Best Available Techniques (BAT) in the Production of Polymers* and other relevant emissions standards.

### ►► Main Projects and Results of Air Emissions Reduction of Sateri's Viscose Mills in Year 2017

Project	Improvement Measure	Main Result
Wastewater treatment plant biochemical tank capping	Transforming primary sedimentation tank into new biochemical tank with cover	Reduced uncontrolled biochemical tank air emissions
Ventilation system upgrading	Installing ventilation system for wastewater treatment plant physicochemical tank, acid wastewater pipe and spinning chute cover; Introducing the waste gas into boiler for treatment	Reduced uncontrolled air emissions; Reduced overall pollutant emission by incinerating air emissions
Boiler process optimisation	Using circulating fluidized bed boiler to combine internal and external desulphurization and control boiler combustion temperature	Reduced SO <sub>2</sub> emission concentration in smoke, mitigated NO <sub>x</sub> generation and emission via boiler combustion temperature control

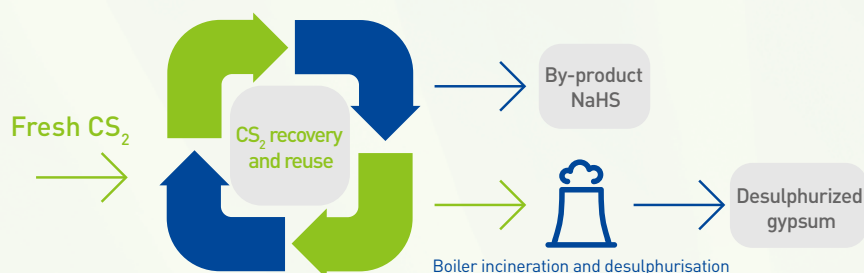
Note:

[1]. European Commission's (2007) Reference Document on Best Available Techniques (BAT) in the Production of Polymers.

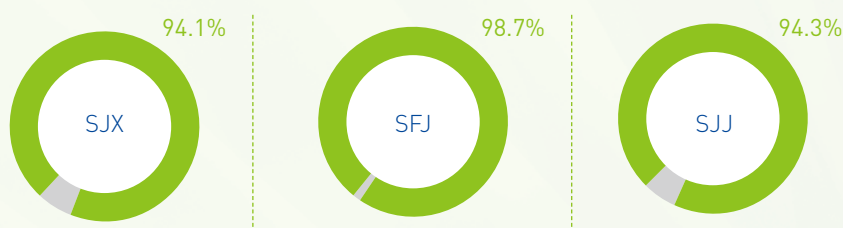
### Carbon Disulphide / Total Sulphur Recovery

Carbon disulphide (CS<sub>2</sub>) is one of the key materials required in the xanthation process of the viscose production. Sateri works to improve the total sulphur recovery rate of carbon disulphide in order to minimise the use of production resources, emissions as processing pressure. Each of Sateri's viscose mills is equipped with a carbon disulphide recovery unit which enables a total sulphur recovery rate of over 94% through condensation, adsorption recovery, boiler incineration and desulphurisation treatment of the tail gas.

## ►► CS<sub>2</sub> Total Sulphur Recovery Process of Sateri's Viscose Mills



## ►► Total Sulphur Recovery Rate of CS<sub>2</sub> of Sateri's Viscose Mills



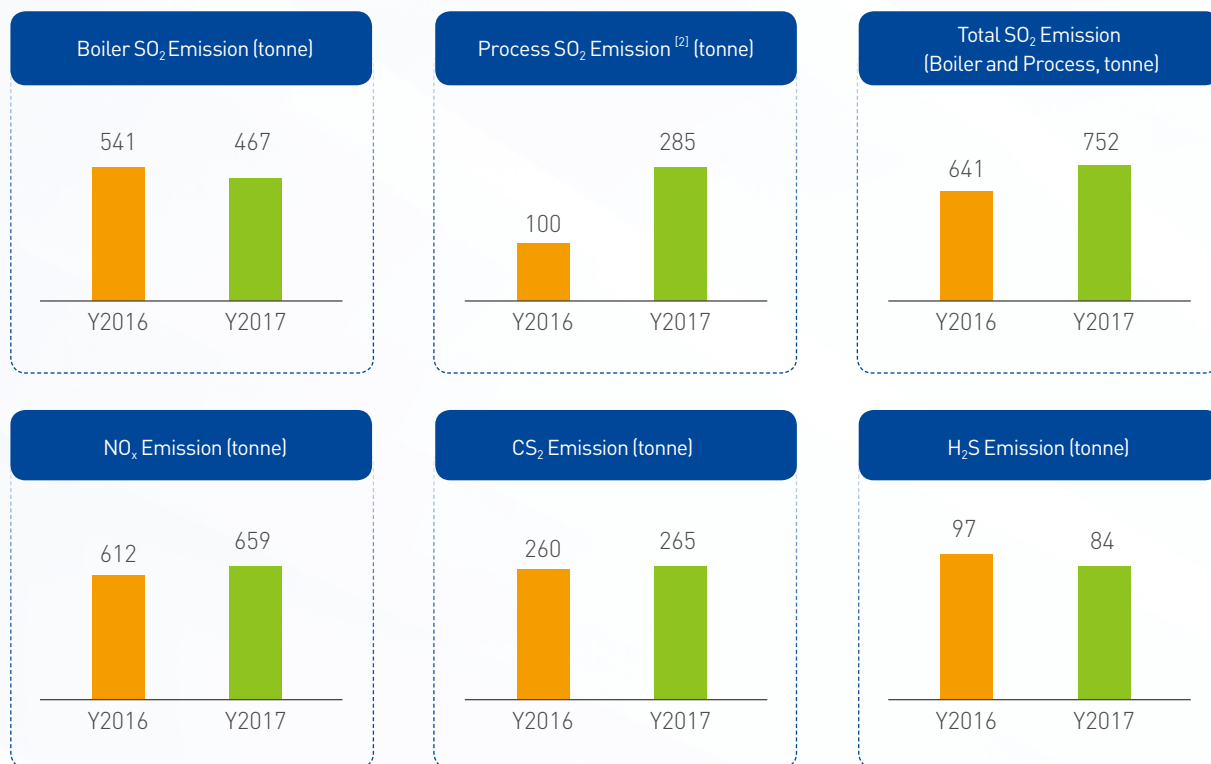
## ►► Main Measures for CS<sub>2</sub> Recovery of Sateri's Viscose Mills

Project	Main Measure
High-concentration production gas recovery	The high concentration of carbon disulphide [CS <sub>2</sub> ]-containing waste gas generated during the production process [at the xanthation, dissolving and spinning stages] is subject to alkali washing to remove hydrogen sulphide (H <sub>2</sub> S); water-spraying for lowering temperature and activated carbon adsorption to produce carbon disulphide [CS <sub>2</sub> ]. A portion of the waste alkali solution is sent to the spinning section to be used in production, while the remaining solution enters the waste alkali collection tank that is later discharged to the wastewater treatment plant. Sodium hydrosulphide (NaHS) generated during the hydrogen sulphide (H <sub>2</sub> S) removal was collected in the Sodium hydrosulphide [NaHS] storage tank.
Condensation recovery	The carbon disulphide [CS <sub>2</sub> ] emitted from the refining process undergoes a condensation process, and the recovered carbon disulphide [CS <sub>2</sub> ] from the condensation unit is sent to the carbon disulphide [CS <sub>2</sub> ] storage tank for recycling.
Wet Sulphuric Acid (WSA) gas recovery <sup>[1]</sup>	The high-concentration gas generated in the acid station is converted to sulphuric acid and sulphur-containing waste gas by the wet-process acid-making equipment.
Sulphuric-containing waste gas incineration	The tail gas left from post- production treatment which contains sulphur is sent to the mills' power plant through the pipeline for incineration and desulphurisation treatment in order to meet the emissions standards.

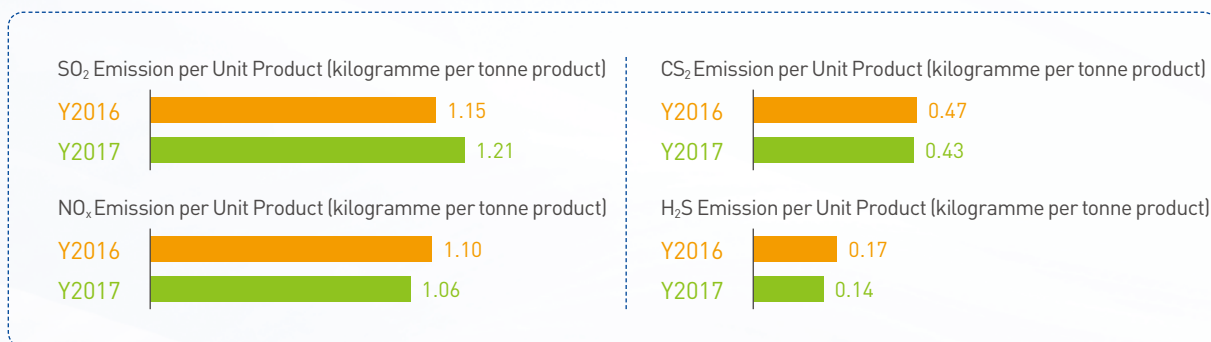
Note:

[1] SFJ was equipped with such process.

►► Overview of Air Pollutant Emissions of Sateri in Year 2016 and 2017<sup>[1]</sup>



►► Overview of Air Emission per Unit Product of Sateri's Viscose Mills in Year 2016 and 2017<sup>[3]</sup>



Note:

[1]. Air emission of Linz Nanjing was minimal, and therefore not included in the overall pollutant emission.

[2]. There are no SO<sub>2</sub> emissions from SJX and SJJ. SFJ's SO<sub>2</sub> emission mainly came from the tail gas of its Wet Sulphuric Acid (WSA) unit. Its SO<sub>2</sub> emission in 2017 was higher than the year before because its WSA unit was under maintenance for some time in 2016, and only became fully operational in 2017.

[3]. In this report, the emissions data per unit product for 2016 and 2017 is no longer converted to the standard linear density of 1.67 dtex. In this regard, the emissions figures here have been restated accordingly.



## ►► Overview of Pollutant Emission Concentration of Sateri's Viscose Mills and Applied Standards in Year 2016 and 2017



Note:

[1]. Carbon disulphide (CS<sub>2</sub>) and hydrogen sulphide (H<sub>2</sub>S) emission data was taken from the readings of SJX's 120-metres tall emissions tower, SJJ's 120-metres tall emission tower and SFJ's 210-meter tall emission tower. SJJ's 2016 CS<sub>2</sub> and H<sub>2</sub>S emissions were not included.

[2]. Boiler emissions benchmarked to the *Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2003)*.

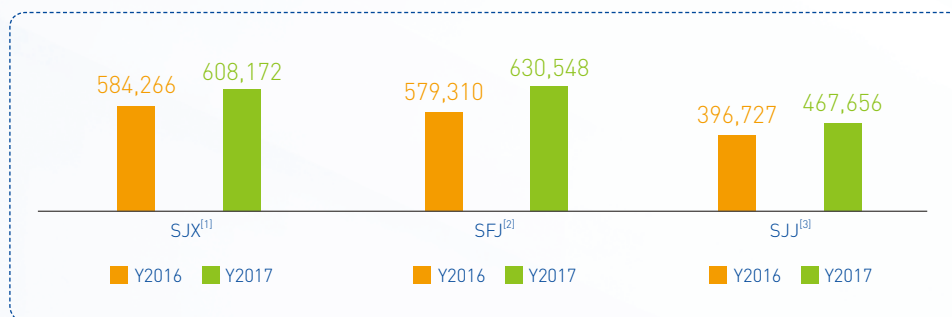
[3]. The SO<sub>2</sub> emission from boiler in *Sustainability Report 2016* was incorrect and has been restated accordingly.

[4]. SFJ's SO<sub>2</sub> emission is benchmarked to the *Integrated Emission Standard of Air Pollutants (GB 16297-1996)*. There are no SO<sub>2</sub> emissions from SJX or SJJ.

Sateri monitors its GHG emissions closely. In 2017, SFJ engaged Karbon Energy Investment & Consulting Co., Ltd., and SJJ and SJX engaged CT Energy Technology Co., Ltd., to respectively calculate their GHG emissions in accordance with the *Guideline for Industrial GHG Emissions Accounting and Reporting in Other Industries (Trial)* and the *Guideline for GHG Emissions Accounting and Reporting in Power Industry (Trial)*.

In 2017, our GHG emissions per unit production was 2.74 tonnes CO<sub>2</sub> equivalent, a 2.3% decrease from 2016. Linz Nanjing does not have its own power plant; the main GHG emission are indirect emissions from purchased electricity, which is minimal and therefore not included in the accounting.

#### ►► Greenhouse Gas Emission per Unit Viscose Product (tonne CO<sub>2</sub> equivalent per tonne product)



#### ►► Greenhouse Gas Emission per Unit Viscose Product<sup>[4]</sup> (tonne CO<sub>2</sub> equivalent per tonne product)



Note:

[1]. Data from the GHG accounting system of SJX's power plant.

[2]. Data from the GHG accounting system of SFJ's power plant and viscose mill.

[3]. Data from the GHG accounting system of SJJ's power plant

[4]. During the calculation of GHG emissions per unit of product, total production amount is not calculated based on the standard linear density of 1.67dtex.

## Wastewater Discharge Reduction GRI 306-1, 307-1



Wastewater from Sateri's viscose mills can be classified into three main categories: production wastewater, ground-washing wastewater and domestic wastewater. Production wastewater mainly includes alkali wastewater, acidic wastewater and zinc-containing wastewater. Linz Nanjing does not generate production wastewater. All our viscose mills are equipped with wastewater treatment plants, which use physical and biochemical treatment. The treated effluents discharged into designated water bodies are within the permitted limits of the relevant standards stipulated by the local environmental authorities. In 2017, Sateri's viscose mills discharged 31.63 million tonnes of wastewater, and Linz Nanjing discharged 1.1 thousand tonnes.

Sateri has developed the *Wastewater Discharge Management Measures* and set annual targets to enable effective wastewater management. In 2017, each mill progressively increased its wastewater treatment capacity, and the COD emission of 3.03 kilogramme per tonne of product, which was 13.8% lower than that of 2016.

In the second half of Year 2017, the mills launched multiple wastewater treatment upgrading projects to strengthen wastewater treatment capacity. In addition, SFJ and SJJ started to roll out wastewater monitoring in accordance with the wastewater guidelines of Zero Discharge of Hazardous Chemicals (ZDHC)<sup>[1]</sup> which provided direction and guidance for improvement of wastewater management.

### ►► Main Projects and Results of Wastewater Discharge Reduction of Sateri's Viscose Mills in Year 2017

Project	Improvement Measure	Main Result
Tertiary wastewater treatment	Blending the effluent from phase I and phase II biochemical treatment systems into the buffer tank for catalytic oxidation with additives	Upon modification, wastewater discharge reached Level-1B standard in the <i>Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant</i>
Acid wastewater trench upgrading	Pumping acidic wastewater into the wastewater treatment plant for treatment	Eliminated the risk of environmental pollution from acidic wastewater
Ground trench anticorrosion	Redoing ground anticorrosion for zinc-using workshops, setting up cofferdam for storage area of bagged zinc sulphate, etc.	Prevented potential impact of zinc-using process on soil from the source
Cooling water circulation system installation in wastewater treatment plant	Reducing water temperature with cooling water circulation system	Optimised environment for microbial growth and improved activated sludge treatment capacity

### ►► Overview of Wastewater Discharge of Sateri's Viscose Mills in Year 2016 and 2017



Note:

[1]. Co-launched by international leading brands worldwide, Zero Discharge of Hazardous Chemicals (ZDHC) is an organisation committed to building extensive partnership and eliminating discharge of hazardous chemicals. ZDHC issued the Wastewater Guidelines in 2016, which defined a uniform expected value for the quality of wastewater discharged, in order to improve the wastewater discharge quality of suppliers in garment, textile and footwear industries.

[2]. In 2017, Sateri viscose production increased by 11.9% compared with the year of 2016, while wastewater discharge of construction projects for increased capacity were included into the annual wastewater discharge, thus total wastewater discharge of the year of 2017 slightly increased in comparison with the year of 2016.

[3]. In this report, during the calculation of pollutant discharges per unit product for Year 2016 and Year 2017, total production amount is no longer calculated based upon a titre of 1.67dtex, resulting differences in values of Year 2016 wastewater discharges (including pollutant discharges) per unit product from those in *Sateri Sustainability Report 2016* (wastewater discharge per unit product, 41 tonnes per tonne product; COD discharge per unit product, 2.85 kilogrammes per tonne product; NH<sub>3</sub>-N discharge per unit product, 0.15 kilogramme per tonne product).



## ►► Overview of Wastewater Pollutant Concentration of Sateri's Viscose Mills and Applied Standards in Year 2016 and 2017



Note:

[1]. Discharge concentration limit was in accordance with the Level 1 Standard in the *Integrated Wastewater Discharge Standard (GB8978-1996)*.

[2]. Total discharge limit was in accordance with the limits stipulated in the *Pollutant Discharge Permit* issued by local environmental authority.

[3]. SJJ did not monitor sulphide and zinc levels in wastewater.

### Reducing COD in Wastewater

From February to May 2017, SFJ implemented a special improvement project to reduce the COD level in wastewater through controlling the quality of wastewater delivered from the source and reducing the at treatment load of wastewater treatment plant. SFJ identified eight key factors affecting wastewater quality, and implemented a number of measures including onsite inspection, pH value monitoring, as well as recycling of tank filters and KK adhesive. As a result, the COD level in the alkali wastewater tank reduced from 1,300 ppm to 1,066 ppm, and the corresponding filtered water consumption reduced from 1,305 m<sup>3</sup>/day to 1,005 m<sup>3</sup>/day, achieving a reduction in COD level of 1.8 tonnes/day, further mitigating environmental impact.

### ►► Rectifying Wastewater Discharge Incident in SJJ

On 29th to 30th May, 2017, due to SJJ water pollutant online monitoring data exceeding compliance limit, inspectors from the Industrial Park Branch of Environmental Protection Bureau of Hukou County, Jiujiang City, Jiangxi Province, sampled wastewater at the discharge outlet of the mill for examination. According to the test results, the sampled concentrations of COD and ammonia nitrogen failed to meet the *Integrated Wastewater Discharge Standard (GB 8978-1996)*. According to the *Environmental Monitoring Management Measures*, SJJ wastewater discharge for the examined period was deemed as non-compliant. Particularly, on May 29th, 2017, COD discharge concentration was 116 mg/L, exceeding the limit of 100mg/L, and ammonia nitrogen discharge concentration was 21.7 mg/L, exceeding the limit of 15 mg/L. According to *Law of the People's Republic of China on Prevention and Control of Water Pollution* and *Jiangxi Province Environmental Protection Administrative Penalty Discretion Detailed Standard*, the mill received an administrative penalty of RMB 724,790 (USD 105,424) from Environmental Protection Bureau of Hukou County.

Upon receiving notice of the incident, SJJ immediately organised an investigation to look into the causes of non-compliance, following the eight COD high discharge concentration counter-measures and six ammonia nitrogen high discharge concentration counter-measures set in the *SJJ Wastewater Treatment Plant Emergency Response Plan*. The excessive discharge was due primarily to instability of the Phase I wastewater treatment equipment in treating wastewater. To strengthen the mill's wastewater treatment capacity, SJJ implemented the necessary corrective measures on Phase I equipment of wastewater treatment plant and installed tertiary treatment facilitates. All correction measures on wastewater equipment were completed by November 2017, while tertiary treatment facilitates start operating from February 2018, and the emissions level has remained stable since.

Sateri places ongoing emphasis on reducing waste. We developed the *Production Waste Management Measures* and *Waste Labeling Management* to regulate the supervision and management of solid waste in the generation, collection, labeling, recording, storage, transportation, handover and disposal stages.

Solid waste is defined as general waste generated during the production process and hazardous waste identified in accordance with the *National Catalogue of Hazardous Wastes*. Our mills' general waste mainly includes coal ash, cinder, desulphurized gypsum, pulp packaging paper, packaging iron wire and domestic garbage. Hazardous waste includes florescent bulbs, engine oil, batteries, chemical solvents, activated carbon and others. Through internal waste recycling efforts, sale and disposal by third-party professionals, Sateri successfully extends the life cycle of wastes and improves resource utilisation.

## ►► Category and Disposal Method of Waste of Sateri's Viscose Mills

Category	Waste	Disposal Method
General Waste	Coal ash, cinder, desulphurised gypsum; waste pulp packaging paper, waste packaging iron wire, etc.	Selling for integrated utilisation
	Domestic waste	Engaging local environmental sanitation department for centralized disposal
Hazardous Waste	Florescent bulbs (HW29), engine oil (HW08), forklift batteries, chemical solvents, activated carbon(HW49), etc.	Engaging qualified hazardous waste disposal organisations for disposal

In the handling of hazardous waste, we take precautions and implemented anti-seepage, leak-proof, rain-proof and fire-proof measures to ensure we meet the standard requirements of temporary storage of hazardous waste. In 2017, Sateri's viscose mills generated 227,673 tonnes and 321 tonnes of general and hazardous waste respectively; Linz Nanjing generated 28.7 tonnes and 0.126 tonne of general and hazardous waste respectively.

## ►► Overview of Waste Produced of Sateri's Viscose Mills in Year 2016 and 2017



Note:

[1]. According to the EIA report, sludge from wastewater treatment plant that is incinerated at Sateri's power plant is no longer considered as waste generated by the mills. In view of this change, the figures in 2016 have been restated accordingly.

[2]. In compliance with requirements of local environmental protection departments, SFJ and SJJ classified waste activated carbon as hazardous waste in 2017; SJX classied waste activated carbon as hazardous waste in 2018. Due to the periodic replacement of activated carbon in SFJ and SJJ, and the replacement of forklift batteries in 2017, the volume of hazardous waste generated in the year reviewed increased, compared to the year before.

[3]. The 2016 figures have been restated as total production amount is no longer calculated based on the standard linear density of 1.67dtx.



## ►► Overview of Waste Disposal of Sateri's Viscose Mills in Year 2017

Category	Disposal Method	Y2017
General Waste Disposed	Landfills (tonne)	899
	Selling for integrated utilisation (tonne)	226,774
Hazardous Waste Disposed <sup>[1]</sup>	Engaging qualified hazardous waste disposal organisations for disposal	269

Note:

[1]. Sateri's viscose mills engage professional waste handlers to dispose of their hazardous waste. As at end 2017, there was some hazardous waste awaiting disposal, which explains the reason for the greater amount of hazardous waste generated than disposed of. The hazardous waste that has not been disposed of within the year in review has been granted an extension from the local environmental protection bureau.

### Reducing Lubricant Consumption of Air Compressors

In 2017, Heating, Ventilation and Air Conditioning (HVAC) Department of SFJ implemented a subject analysis and improvement project for the lubricant consumption of air compressors. By improving maintenance and optimising operation of air compressors, the mill successively resolved problems such as excessive lubricant usage, oil and gas separator filter failure, low oil level, oil return pipe leakage, as well as enduring high-temperature and low-pressure conditions. The implementation of these measures resulted in the significant reduction of lubricant consumption from 72.6 litres per 10,000 tonnes viscose product in 2016 to 55.4 litres in 2017.



A man and a woman are running on a sandy beach. The man is on the left, wearing a grey t-shirt and dark shorts, smiling. The woman is on the right, wearing a grey tank top and black shorts, looking forward. A large green diagonal shape overlays the left side of the image. The background shows a clear blue sky and a body of water.

# Our Employees

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Sateri values our employees. We safeguard employee interests, advocate for employee diversity, provide professional training and career pathways, ensure their occupational health and safety and provides comprehensive medical care to meet the needs of employees.

# Labour Rights and Development

## Labour Rights and Benefits

GRI 102-8, 102-41, 401-1, 401-2, 405-1, 406-1, 407-1, 408-1

Sateri works to ensure the welfare of employees. The Company has established a standardised human resources management system, covering recruitment and promotion, working hours and leave-days, as well as pay and benefits to ensure that no one is discriminated because of race, religion, sex, age, marital status, disability and nationality, etc. The Company strictly adheres to labour laws and prohibits the use of child labour or forced labour. As at 2017, the Company employed a total of 3,251 employees, a 17% increase from 2016. All employees signed employment contracts which set out employee compensation and benefits during their service tenure.

Sateri's mill employees are represented by labour unions in collective communication or bargaining. The Company encourages employees to join the labour unions to participate in dialogues and decision-making processes. At present, more than 90% of employees have joined the labour unions. In 2017, the labour unions of SJJ and SJX convened an employee assembly meeting where resolutions on *Performance Management Measures*, *Employment Contract and Probation Period Management Measures*, as well as *Environmental Health & Safety (EHS) Reward and Penalty Management Procedure* were passed.

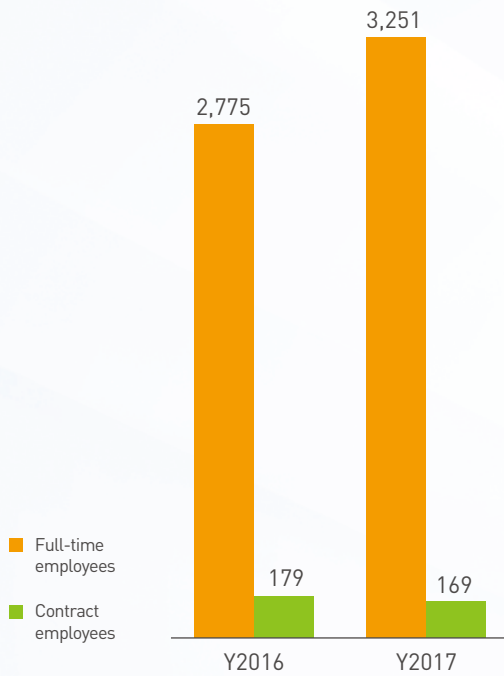
Grievance and feedback mechanisms are also set up where employees can reach out to department heads or human resources managers by telephone, e-mail and meeting to reflect problems encountered in the recruitment or employment process. The Company further broadened the communication platforms, including social media platform interaction and public email to ensure that employees have access to filing complaints, and obtain timely and effective feedback or response.



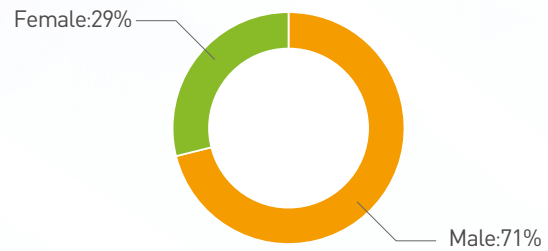


## ►► Sateri Workforce Summary in Year 2017

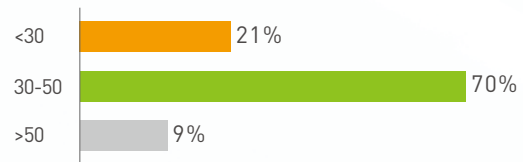
### Total Workforce



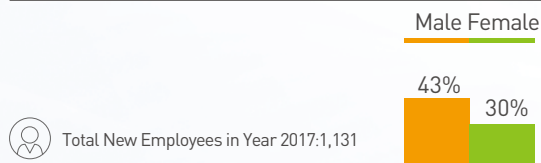
### Employees by Gender in Year 2017



### Employees by Age in Year 2017



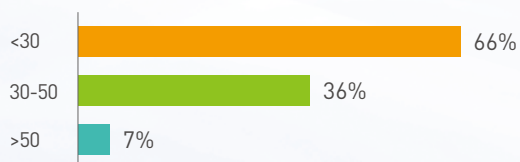
### New Employee Hires by Gender in Year 2017



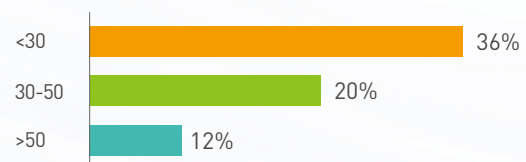
### Employee Turnover by Gender in Year 2017



### New Employees Hires by Age in Year 2017



### Employees Turnover by Age in Year 2017



## Employee Training and Development GRI 404-1, 404-2, 404-3



Employees are at the core of our business success. It is therefore important that we continue to invest in developing our employees to meet the business needs of the Company and their personal and profession growth.

We organise a variety of internal and external training and development programmes. The training syllabus includes corporate culture, core values and work skills upgrade that are designed or selected based on the employees' role, responsibility, development potential and needs. The Company organises and implements the training programmes according to plan every year, tracks their implementation progress, and evaluates their effectiveness. In addition, the Company provides employees with diverse channels towards professional development, and encourages them to realise personal value by combining corporate development needs with personal advantages and interests.

In 2017, 98% of employees were trained, and all employees received a regular performance and career development review.

### ►► Sateri Employee Training Programmes Overview

Type	Course system				Programmes	
Corporate culture	Group core values training				Values star	
Management training	Incumbent senior manager training				Management Development programme /Executive Development programme	
	Incumbent middle manager training				Leadership forum	Mentorship programme
	Incumbent junior manager training				Management trainee	New climb
Technical training	Various professional skills training for different professional groups				Technical expert training programme	
	Values star	Quality management	Environment, health and safety	Logistics and procurement	Continous Improvement programme	
	Marketing and sales	Production technology	HR/Finance		Vocational qualifications	Graduate entrance examination
	Various general skills training				English corner	Microsoft Office specialist
Newly hired employees orientation	Orientation trainings provided by all business units				New manager orientation	
	Orientation for experienced hires	Orientation for fresh graduates	Orientation for interns		New fibre professional	Dreams fulfilling plans

### ►► Sateri Mill Employee Trainings in 2017



## Sateri Learning Institute

Founded in 2017, the Sateri Learning Institute (SNL) aims to become a trustworthy internal business partner, consultant and learning expert to promote the sustainable development of business. At present, SNL focuses its syllabus on new employee training, management training, professional training, internal trainer team-building, course development and training assessment, etc. To enable a conducive learning environment for employees, SNL is equipped with simulation training laboratory, case study room, computer training room and library.

In 2017, SNL conducted Train the Trainer (TTT) and Presser training courses on 88 employees, and received an employee-satisfaction score of 4.4 out of 5.

## Textile expertise workshop at RGE

RGE Group held two 2-day textile expertise workshops in Donghua University in July 2017 and October 2017, inviting managers from Sateri and Asia Symbol, Sateri's dissolved wood pulp supplier, to attend. The training was delivered by professors from the University. The training covered spinning, dyeing and finishing, knitting and woven products and innovation. Through this training, participants gained a better understanding of the technical requirements of downstream spinning and fabric enterprises and how to carry out fibre innovation and development.





## Employee Care

### Harmonious Employee Relationship

Harmonious relations play an important role in improving employee satisfaction and happiness. Sateri ensures that employees are well looked-after, with constant improvement to employee commutes and accommodation, the addition of television sets and air-conditioners to canteens, and the provision of cool beverages to prevent heatstroke during employee on-site visits in high temperature conditions. The Company also provides support to employees in special conditions. SFJ, for example, has established an employee aid management system and extends timely support to employees suffering from misfortune through various means such as donations.

Sateri supports the professional development of female employees by providing career guidance which allows them to fully realise their potential and personal value. For new or returning female employees, the Company not only offers specific training opportunities but encourages them to improve their confidence and sense of responsibility through sharing, learning and cooperation, and actively develops career plans which are put into place. Moreover, the Company strictly adheres to government regulations in terms of maternity leave and paternity leave to safeguard employee interests.

### Work-Life Balance

Fostering a sense of belonging is an important aspect of Sateri's corporate culture. The Company organises a variety of activities to continuously promote closeness, work-life balance and good health.



Outdoor Team Building Activities

# Healthy and Safe Work Environment

## Occupational Health and Safety Management GRI 403-1

Sateri is committed to providing its employees with a healthy and safe work environment. All viscose mills are Work Safety Standardization certified. SJX and SJJ mills have obtained OHSAS 18001 certification<sup>[1]</sup>. In 2017, Company had no major safety incidents or occupational hazard accidents.

All the operating mills have environment, health and safety (EHS) regulations and committees in place. The EHS committees comprise senior management, department managers and general staff. The committee reviews occupational health and safety related topics, including but not limited to EHS hazards and response, safety incidents, training, and personal protection.

### ►► Occupational Health and Safety Management System

#### System Building

- EHS responsibility system
- EHS committee

#### Inspection and Safety Hazards Identification

- Internal audits, inspection and safety hazards identification
- Corrective action closure rate
- EHS reward and punishment system

#### Safety Culture

- Leadership and values
- Habits and behaviour
- Employee participation
- Intervention
- Awareness and training
- Continuous improvement

#### Elements of Management

- Chemicals management
- Suppliers management
- Mechanical operation protection
- Special-purpose equipment and operation
- High Risk Operation
- Fire safety
- Occupational Health Monitoring and Protection

Note:

[1]. Starting from March 2018, the new occupational health and safety standard ISO 45001:2018 will replace the existing OHSAS 18001 standard. Organisations which have previously been OHSAS 18001 certified will be given three years to migrate to the new standard.



Sateri advocates work safety, and defines clear EHS requirements for construction, transformation and expansion projects. The Company continuously improves safety monitoring measures, which include the installation of combustible and poisonous gas detection and alarm devices, hazardous technology control and major hazard sources monitoring, and fire alarms and control, meeting intrinsic safety requirements. Moreover, the Company takes measures to guarantee production safety. For instance, SJJ has developed *Regulations on Stabilised Production Process Control*, which defines the response plan should there be any incident of equipment overrun or failure during production, in order to maximise a stable production process and minimise safety incidents.

In terms of safety management, the Safety Pyramid theory is applied to keep track of fatalities, major injuries including lost-time injuries, minor injuries and even near misses. Training, audits and interventions are implemented to manage any unsafe acts or conditions.

Sateri has established emergency plans for work safety incidents which detail the management of safety incidents including early warnings, response and action, and reporting. All viscose mills organise safety emergency drills on an annual basis, comprising fire emergency drills and chemical leakage emergency drills such as CS<sub>2</sub> pipeline leakage rescue drills, concentrated sulphuric acid leakage injury drills, and concentrated alkaline pipeline leakage rescue drills. With the simulation of accident scenarios, these emergency drills aim to identify potential flaws in the emergency plan and to continuously improve it.



Pipeline leakage emergency drill



Fire emergency drill

In 2017, Sateri's viscose mills achieved a 0.16 loss time injury frequency rate (LTIFR) per 200,000 hours worked, a 64% decrease from that in 2016. There were a total of 7 lost workday cases, which included injuries due to falling and misoperation. For these cases, the Company carried out investigations and developed correction measures, including the strengthening of employee awareness, scheduled maintenance of equipment, revision of relevant systems, and assessment of employees' daily unsafe behaviours.

## ►► Safety Work Progress of Sateri Operating Mills in Year 2017

Mill	Safety risk identification	Safety training	Chemical leakage emergency drill	Fire drill
Visocse	<ul style="list-style-type: none"> <li>A total of 4,198 safety hazards identified, with a corrective action closure rate of 94%</li> </ul>	<ul style="list-style-type: none"> <li>Safety education training coverage reached 100%</li> </ul>	<ul style="list-style-type: none"> <li>23 emergency drills, with 314 participants</li> </ul>	<ul style="list-style-type: none"> <li>35 emergency drills, with 412 participants</li> </ul>
Linz Nanjing <sup>[1]</sup>	<ul style="list-style-type: none"> <li>A total of 8 safety hazards identified, with a corrective action closure rate of 100%</li> </ul>	<ul style="list-style-type: none"> <li>Safety education training coverage reached 100%</li> </ul>	Not applicable	<ul style="list-style-type: none"> <li>45 emergency drills participants</li> </ul>

Note:

[1]. Production in Linz Nanjing involves only physical processing and no use of hazardous chemicals, so there was no chemical leakage emergency drill organised in the year of 2017.



## ►► Work Safety Performance of Operating Mills in Years 2016-2017



Note:

[1] In 2016, the SJJ plant failed to restore the iron manhole cover in the biochemical pool, which caused the drowning of one employee. After the accident, SJJ developed correction and prevention measures, including organising employee safety education training and post safety operating procedure training, installing fences along the pool, and fully identifying and correcting safety risks in the sewage plant, etc.

[2] In 2017, there was no work-related injury in SFJ. Injuries at SJX and SJJ were identified as Class IX and X respectively (Class X being the lowest). After the accident, SJX and SJJ took a series of corrective actions, including Job Safety Analysis (JSA) training, increased inspection of employees' unsafe behaviour on a daily basis, enhanced equipment maintenance and regular on-site audits, etc.

### SFJ Employee Safety Behaviour Management

In order to further reduce the injury incident/accident rate during production, SFJ made efforts to improve total safety awareness in 2017, including:

1. Self-checks and reports of unsafe behaviour in the mills. Staff of each shift must carry out self-check of unsafe behaviours and submit the results to the EHS Department, which will then analyse and circulate the results;
2. Safe behaviour observation/risk submission. Employees must submit a certain number of safety risk observation cards on a monthly basis;
3. Unsafe behaviour case study. Employees of the production department carry out unsafe behaviour case studies and share their own experiences about previous cases;

In addition, SFJ completed a safety risk control classification by the end of 2017, drew a work safety risk map, and implemented control over areas with higher risk.

In 2017, SFJ achieved satisfactory overall work safety conditions and realised a LTIFR per 200,000 hours worked of 0.

## Occupational Health GRI 403-3



The Company has established an occupational disease prevention system and an occupational health management team to regularly monitor the working progress of occupational hazard prevention and resolution of issues identified.

For occupational hazard accident management, the Company has developed occupational hazard accident prevention, management, and emergency rescue support. In 2017, no occupational hazard incidents occurred in Sateri.

In order to carry out the prevention of occupational hazard exposure, the Company conducts regular on-site equipment inspections, and requires employees to wear necessary personal protection equipment. For instance, the Company guarantees the proper running of dedusting equipment as well as good ventilation in the workshop, and ensures that employees wear dust masks properly to safeguard occupational health.

## ►► Employee Occupational Health & Safety Protection Measures



### Hazard identification and monitoring

- ◎ Identifying the occupational hazard factors in production
- ◎ Implementing annual occupational hazard factors detection.



### Hazard communication

- ◎ Notifying employees of potential occupational hazards exposure risks and individual protection requirements to relevant personnel in the employment contract or site bulletin board.



### Worker health surveillance and records

- ◎ Organizing pre-job, on-the-job and departure health examination for personnel at posts exposed to occupational hazards;
- ◎ Establishing personal occupational health records.



### Prevention of occupational disease and training

- ◎ Providing employees at the production site with protection measures and personal protection equipment for dust, noise, etc.;
- ◎ Regularly carrying out occupational health publicity and education.

## ►► Employee Occupational Health of Operating Mills in Years 2016-2017

Mill	Y2016		Y2017	
	Viscose mills	Linz Nanjing	Viscose mills	Linz Nanjing
Employees exposed to occupational disease risk	783	37	1,453	75
Employees occupational disease examination coverage (%) <sup>[1]</sup>	100	100	100	100
Employees suffering from occupational disease	0	0	0	0
Major occupational hazard factors	<b>Viscose mills:</b> sulphuric acid, dust, caustic soda, carbon disulphide, hydrogen sulphide, high temperature and noise, etc. <b>Linz Nanjing:</b> high temperature and noise, etc.			

Note:

[1]. Employees occupational disease examination includes both pre-job and on-the-job examinations.

### Linz Nanjing Conducted Occupational Hazard Status Evaluation

In 2017, Linz Nanjing engaged Jiangsu Ningda Test Co., Ltd. to conduct occupational hazard status evaluations at the mill, including the nature, sources and risk level of occupational hazards, as well as their impact on human health.

Based on the evaluation report and expert opinions, Linz Nanjing then implemented corrective occupational hazard protection measures, including the improvement of personal protection equipment management, emergency rescue facilities and occupational health monitoring, in line with the relevant legal requirements.



## Chemicals Management



Viscose production requires the use of chemicals including sodium hydroxide, concentrated sulphuric acid and carbon disulphide. The Company actively carries out major hazards identification. According to *Identification of Major Hazard Installations for Dangerous Chemicals (GB18218-2009)* standard, a quantity of hazardous chemicals used which equals or exceeds the quantity threshold at unit level will be classified as a major hazard installation. The Company has developed a relevant system for the control of major hazard installations for dangerous chemicals, which includes the identification and registration of major hazard installations, as well as the development and implementation of safe operation procedures.

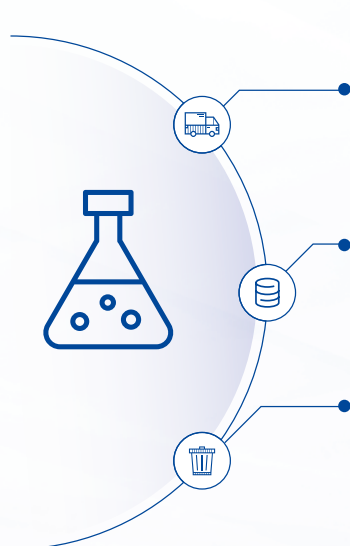
In considering the potential leakage of hazardous chemicals, the Company has also established multi-level emergency measures, including cofferdam and proper collection and storage facilities of chemicals leaked as well as drainage channels in its operating mills, in order to minimise the impact on the surroundings in the case of a major leakage accident.

In 2017, there were zero incidents of chemical leakage at Sateri's operating mills.





## ►► Chemicals Management



### Procurement and Transportation of Chemicals

- ◎ The chemical suppliers and transport contractors must have legal qualifications;
- ◎ The in-house warehouse of logistics department and users strengthen the supervision and inspection of chemical transport and handling, and guarantee no leakage.

### Chemical Handling and Storage

- ◎ Installing various chemical emergency facilities and providing labour protection supplies;
- ◎ Storing chemicals by properties and category in different warehouses, and assigning personnel for regular inspection and supervision;
- ◎ In case of any chemical leakage, the department in question immediately controls the amount of leakage and reports to competent departments.

### Chemical Waste Management

- ◎ Storing chemical waste in designated location;
- ◎ Taking immediate corrective actions on non-compliance and reporting on violations.

An aerial photograph of a long bridge spanning a wide body of water. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. The sky is filled with soft, white clouds. A large, semi-circular green graphic overlay is positioned in the upper half of the image, partially obscuring the sky and the bridge. The bridge has multiple lanes and a railing, and it curves slightly to the right. In the distance, there are some buildings and more water.

# Our Community

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Sateri continuously strengthens its community engagement. Based on community demands, Sateri motivates employees to collectively take part in active and diverse community development.





## Community Prosperity

### Community Connection and Interaction

With the aim of building harmonious relations with communities while upholding the principles of openness and transparency, Sateri actively invites residents, government, customers, students, media and other representatives to visit its plants. Sateri also holds plant open days for the general public to further understand environmental protection measures taken at the plants as well as during the production processes of viscose products. This in turn allows the Company to receive valuable feedback on providing better community activities as well as to further improve the Company's sustainable practices.



Plant Open Day

In 2015, in response to neighboring residents' feedback on odour, Sateri's Fujian mill invested RMB 17.08 million (USD 2.48 million) in capping the biochemical pool and other structures at its wastewater treatment plant, as well as in activated carbon and photolysis treatments for odour-causing gases. With these in place, concentrations of emitted carbon disulphide, hydrogen sulphide and other harmful gases were effectively reduced. In 2016 and 2017, the SFJ continued to increase investments in tackling similar issues, spending RMB 4 million (USD 582,000) on the modification and capping of the sedimentation tank at the wastewater treatment plant, covering a total area of 2,028 square metres. SFJ also set aside more than RMB 100 million (USD 14.55 million) for additional equipment which serves to facilitate the ventilation of pollutant gases in its principal workshops.



## Promotion for Community Development GRI 413-1, 415-1



Growing together with communities means a lot to Sateri. Based on community demands, the Company has organised and participated in various community activities mainly centering on educational aid, environmental protection, poverty and disaster relief, and cultural ethics. By organising such community activities, the Company aims to facilitate the promotion of diversified community development.

The Company's public charitable activities are co-managed by its Public Relations Departments and Volunteer Associations. In 2017, Sateri invested a total of RMB 19 million (USD 2.77 million) in public charity.

### ►► Sateri Public Charitable Investment

2006-2016		2017
RGE (paid by Sateri, RMB)	Sateri (RMB)	Sateri (RMB)
32.50 million (USD 4.73 million)	9.10 million (USD 1.32 million)	
Totalling RMB 41.60 million (USD 6.05 million)		Totalling RMB 19.00 million (USD 2.77 million)

### ►► Principal Charitable Projects and Achievements of Sateri in 2017

Category	Principal Project	Key Achievement
Educational Aid	"Stay True to Yourself and Appreciate Education" Event	•Donated eight libraries and over 11,268 books;
	"Sateri Classroom 3" Awareness Training	•Awarded 40 outstanding teachers; •Replaced old school gate, classroom desks and chairs and other education infrastructure;
	The Second Sateri Library Project	•Cared for "left-behind" children; •Benefited over 18,425 residents
Environmental Protection	The Fourth Sateri Cup Jiujiang Environmental Painting Contest	•Held painting contests; •Organised video contests;
	"I'm a Little Knitter" DIY Workshop	•Carried out ten environmental protection classes;
	Sateri Cup Guarding Jiujiang's Blue Visual Creativeness Contest	•Raised students' awareness of environmental protection
Poverty and Disaster Relief	Poverty Aid in Bei'an Community	•Benefited 50 low-income families;
	Poverty Aid in Gutang Community	•Supported armed forces community building;
	November 9th National Fire Prevention Day Activity	•Upgraded office hardware for Public Security and Fire Fighting Departments
Cultural Ethics	Community Huangmei Opera Art Festival	
	"Promoting Mazu Culture, Inherit Traditional Virtue" Events	•Enriched community culture-related activities;
	2017 Putian Hundred-Village Sports League Opening "Sateri Cup" Basketball Game	•Promoted traditional cultures

“

Sateri Jiangxi Chemical Fibre Co., Ltd. is a company dedicated to public welfare. Each year it effortlessly helps the Gutang community in carrying out various recreational activities, providing financial aid to needy students, caring for lonely and needy residents and prioritising labour issues faced by surrounding residents. The Company contributes over RMB 100 million (USD 14.55 million) in annual tax. While the Company strives to create more economic value, it persists on benefiting the public, being an excellent company that is responsible and reliable with profound affection.

—— Zhou Yibo, Secretary of Gutang Chemical Fibre Textile Industrial Base, Lianxi District, Jiujiang

”

### Sateri Held Creative Multimedia Contest to Promote Environmental Awareness

To showcase Jiujiang's achievements in environmental protection and ecological construction, as well as to facilitate a vivid record of the city's unique charms, SJX jointly held a creative multimedia content with the Information Office of the People's Government of Jiujiang, the Jiujiang Internet Information Office and the Jiujiang Journal New Media Centre.

The contest was well-publicized by media of all levels from its kickoff date on March 31, 2017. More than 30 central and provincial media outlets reported about the contest, including Xinhua Net, iFeng, Jiangxi Release, and Xunyang Wanbao, among others. The contest received 678 photos, four videos and two H5 web page entries, of which 80 entries were chosen for the final round, attaining viewership of 110,000 people.



Winning entries of the contest

## Educational Aid: “Happy Reading” Library Initiative

Following intensive interaction with communities, Sateri Fujian discovered that students in its surrounding communities were in need of companionship, as most of their parents left their home for work in other cities or countries. The students also had little access to reading materials beyond their textbooks, due to the limited resources at their school, hindering their learning progress.

In 2016 and 2017, SFJ successfully organised two editions of their “Happy Reading” library project. The projects resulted in the creation of 16 libraries for primary schools within the Bei'an community in Putian, Fujian.

As of 2017, SFJ has donated over 40,000 books and almost 100 bookshelves to these schools. It has also organised 52 volunteers to conduct environmental protection classes and reading events, which has benefited nearly 10,000 students and teaching staff. These activities have helped to foster awareness among the students about the important role they play in contributing to environmental protection.

In cultivating students' reading habits and awakening their desires for knowledge, the projects help to lay a solid foundation for the students in their further pursuits of knowledge in the future.

In 2017, the “Happy Reading” library project were honoured by China Association of Enterprises With Foreign Investment (CAEFI) and the 7<sup>th</sup> China Charity Festival which awarded SFJ with the “2017 Public Welfare Innovation Award” and the “2017 Public Welfare Practice Award”. It also received the “2017 Corporate Social Responsibility Practice Example of Chinese Enterprises with Foreign Investment” recognition.





## Voluntary Service

Sateri strongly encourages employees to give back to society through volunteerism. In this regard, the Company has established volunteer associations in SFJ and SJX to support community-welfare and community empowerment initiatives.

In 2017, Sateri's volunteer associations consisted of 911 employee volunteers, accounting for 28% of the total number of employees. In the same year, the associations organised, supported or coordinated a total of 78 volunteer activities, which saw participation by more than 494 people. A total of 2,949 hours of volunteering service was achieved in 2017.

### Paying it forward

In 2006, to facilitate the development of community schools and to aid high-potential students from low-income families to complete their studies, Sateri set up the Sateri Education Foundation in Jiujiang Tongwen Middle School and surrounding schools near Gutang Town. So far, Sateri has invested RMB 1 million (USD 145,500) in scholarships as well as educational aid, which has benefited over 1,000 local students with academic excellence.

Zhang Xiao was one of the benefactors of Sateri Education Foundation. In 2017, she was admitted to Southwest Jiaotong University with a remarkable score of 578 in her college entrance examination. As her way of giving back and showing appreciation for Sateri's support, Zhang Xiao actively participated in Sateri's voluntary services.

Together with Sateri volunteers, Zhang Xiao accompanied 50 latchkey children from Lianxi District and Hukou County for a museum visit, which included a lunch session and a teaching session. Volunteers spent a meaningful day caring for the children. Zhang Xiao shared her personal learning experiences with the children, teaching them how to look use a dictionary as well as how to write a composition. Some children expressed their wishes to be like Zhang Xiao and to grow up excelling in their studies.

"Sateri supported and cultivated me. It is thus my responsibility to pass on the same care they have given me."

—— Zhang Xiao



The 50th celebration ceremony of RGE

### SGS-CSTC STANDARDS TECHNICAL SERVICES (SHANGHAI) CO., LTD'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SATERI (SHANGHAI) MANAGEMENT LIMITED FOR SATERI SUSTAINABILITY REPORT 2017

#### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd. (SGS) was commissioned by Sateri (Shanghai) Management Limited (hereafter as "Sateri") to conduct an independent assurance of the Sateri Sustainability Report 2017 (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 and Sateri (Jiangxi) Chemical Fibre Co. Ltd. and off-site verification at Sateri (Fujian) Fibre Co. Ltd., Sateri (Jiujiang) Fibre Co. Ltd. and Linz (Nanjing) Viscose Yarn Co. Ltd.

The information in the Sateri Sustainability Report 2017 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 2017.

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

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

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

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

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

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

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

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

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

#### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Report verified is accurate, reliable and provides a fair and balanced representation of Sateri sustainability activities in 2017. The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders.

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

#### GRI STANDARDS (2016) CONCLUSIONS

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

#### Principles

All principles are well abided by the organization.

#### Management Approach

The Report disclosed the management approach of the selected topics and disclosures.

#### General Disclosures

The general disclosure part of the Report is in accordance with requirements of GRI Standards core option.

#### Topic-Specific Disclosures

The Report has disclosed all the topic-specific disclosures on economic, environmental, and social areas in accordance with GRI Standards.

#### Findings and suggestion

Best practices, advices on sustainable development management are all described in the internal sustainable management report and submitted to relevant management departments of Sateri for continuous improvement.

Signed:

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



**Ben Tsang**  
Senior Director, China and Hong Kong  
Certification and Business Enhancement  
29<sup>th</sup> August 2018

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# GRI Content Index

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GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Labour Rights and Benefits	70-71	No non-compliance incident was identified.
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GRI 103: Management Approach 2016	103-1	Management approach	Compliance Management	25-26	
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	103-2 103-3		Product Sustainability Management Product Quality Control	36 45	
GRI 416 : Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Product Quality Control	45	No non-compliance incident was identified.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance Management	25-26	
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GRI 417 : Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Product Quality Control	45	No non-compliance incident was identified.
	417-2	Incidents of non-compliance concerning product and service information and labeling	Compliance Management	25-26	
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GRI 103 : Management Approach 2016	103-1	Management approach	Compliance Management	25-26	
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GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Compliance Management	25-26	No non-compliance incident was identified.



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