

Sateri

Sustainability Report 2018



*Partnering for
Sustainable Viscose*

Content

About the Report	02
President’s Message	03
Sateri Sustainability Performance Highlights	05
Sateri At A Glance	07
Sustainable Products and Consumption	17
Responsible Sourcing	25
Energy Productivity and Climate Change	27
Mitigating the Impact of Emissions	31
Chemical Management	37
Occupational Health & Safety	41
Empowering Employee Development	43
Contributing to Social Prosperity	45
Sustainability Management and Performance	47
GRI Content Index	69
Glossary	76

About the Report

(GRI 101, 102-45, 102-48, 102-50, 102-51, 102-52, 102-53, and 102-54)

Sateri Sustainability Report 2018 ("the Report") details Sateri’s sustainability philosophy, approach, strategies, and performance in 2018. As some of the issues under discussion are evolving rapidly, we have also provided information on our progress in 2019. The annual reporting exercise allows us to take stock of our progress and a broader dialogue with our stakeholders that leads to further cooperation and mutually beneficial opportunities in areas of sustainability.

Scope of the Report

Unless otherwise stated, the business units and data covered in this Report include all assets currently managed by Sateri but do not include any recently acquired enterprises from 2019, as set forth below:

Enterprise	Abbreviated Name
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 related to human resources (e.g. total number of employees) also includes reference to Sateri staff which are based out of the Singapore and Nanjing offices of the Royal Golden Eagle (RGE) Group, of which Sateri is a member. Statistical data on occupational health and safety, resource consumption, and environmental emissions of the viscose mills is detailed in corresponding sections of the Report.

Reporting Period: The reporting period for the Sateri Sustainability Report 2018 is from 1 January to 31 December, 2018. It also covers performance data for the preceding calendar years 2016 and 2017, as well as 2019, where relevant, due to the nature of the topics discussed and for the purpose of performance comparison.

Restatements: The Report contains four restatements or corrections to the previous report’s data due to changes in measurement methods. For details, please refer to *Notes* in the *Energy, Water Resources*, and *Greenhouse Gas* sections under *Environmental Management* and the *Occupational Health and Safety* section under *Employee Management*.

Basis of Data Preparation and Data Sources

The Report has been prepared in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 (GRI Standards)*. A detailed GRI Standard Index is provided at the end of the Report (see p.69-75).

Data and information referenced in this Report have all been sourced from official documents of Sateri and disclosed in accordance with the GRI Standards (Core Option and part of Comprehensive Option).

Unless otherwise stated, data on energy consumption, water consumption and pollutant emissions per unit product in the Report have been calculated in accordance with the *2018 Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process)*.

Financial data in the Report is expressed in USD.

External Verification

SGS has provided independent verification of the Report and its contents, as set forth in the Assurance Statement on page 67-68.

Language

The Report is published in both Chinese and English.

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President's Message

Sateri's Sustainability Report 2018 is our third report which sets out in detail our environmental, safety and social performance and progress. It also serves to guide and motivate us to continually improve our sustainability approach as we grow our company.

Since entering into the viscose business 17 years ago, we have continually evolved our business and practices that are deeply anchored on its 5-C principle of Creating Value for the Community, Country, Climate, Customer and the Company to ensure that sustainability is integrated into the core of business conduct and value chain.

Performance and Progress in 2018

In 2018, we began to assess how we can minimise our ecological footprint at each stage of the production process. We undertook major modification to our power plant boilers to lower our emissions and improve boiler efficiency, implementing intensive treatment to reduce effluents, and increasing the recycling rate of chemicals and resources to reduce our waste streams. Our efforts paid off when we became the first viscose producer in the world to have all our viscose mills obtained the Sustainable Textile Production (STeP) by OEKO-TEX® certification, and are amongst one of the first to have completed the Higg FEM 3.0 environmental performance assessment of the Sustainable Apparel Coalition.

More than 98% of the wood pulp we sourced was certified or controlled, compared with 91% in 2017. This represents a significant step towards reaching our ambitious goal of achieving 100% sustainably sourced wood pulp by 2020.

We deepened and broadened our dialogues with a wider range of stakeholders, particularly in the area of responsible sourcing, to inform our sourcing decisions. In 2019, we will focus on strengthening our sourcing standards operating procedures and working with our suppliers to improve their practices and meet our

compliance requirements.

Employee well-being is always a key priority for Sateri. This includes providing equal opportunity in training and career development. With this purpose in mind, we established the Sateri Learning Institute. The programmes are designed to cultivate talents and skills both needed for the company's development as well as employees' personal growth. In addition, we continue to enhance our occupational health and safety management systems, as well as safety culture, to prevent any incidents at the workplace.

We empower the communities through social investments that create lasting value and benefits, particularly in the areas of education, capacity building, economic development and environmental protection.

At Sateri, we believe that the pursuit for sustainability is not a competition between companies. We want to work with like-minded stakeholders with a genuine interest in sustainable development to drive change. To this end, Sateri joined hands with the China Chemical Fibers Association (CCFA) and nine other viscose producers to form the Collaboration for Sustainable Development of Viscose (CV) in early 2018, with the mission to transform the viscose industry towards sustainable development. Work on the second phase of CV's Roadmap has begun; CV is undergoing a consultation process with a wide range of stakeholder groups - pulp suppliers, viscose producers, brands, relevant government agencies and civil society organisations - to inform its 2025 Roadmap.

Outlook and Priorities in 2019

The textile industry is currently facing a number of challenges that constrain its development, such as access to financing, rising production costs, stricter environmental policies and standards. However, amidst the volatile economic outlook and constantly evolving environmental

landscape, technological advancement and innovation have created opportunities that led to replacement of inefficient capacities and creation of high-performance, differentiated fibres, which are necessary for the sustainable growth of the industry.

Sateri acquired Jiangsu Xiangsheng Viscose Fibre Co., Ltd. in April 2019, bringing its total number of viscose mills in China to four, and making it the world's largest viscose producer with a total annual production capacity of 1.1 million metric tonnes. Sateri has since invested USD72.5 million into upgrading the mill to enhance its productivity, product quality, environmental as well as health and safety standards.

The same year also saw the launch of our new viscose brand EcoCosy®, which includes our premium BV fibre portfolios, Colour™ and antibacterial fibres for use in textiles and non-woven products. EcoCosy® offers improved versions of traditional viscose products based on the "premium quality, preserving ecology, and preferred partners" attributes. Through technological breakthroughs, innovation and a compelling brand marketing strategy, EcoCosy® enables downstream companies to produce high-quality yarns and fabrics, while improving productivity and energy efficiency per unit of output. As a result, EcoCosy® is helping drive the low-carbon transformation of the industry.

We support the United Nations (UN) Sustainable Development Goals (SDGs) and want to play our part in tackling some of the environmental and social challenges. This is a focus in 2019. We started a formal process to identify and prioritise SDGs that are relevant to our operations to align our Sateri's sustainability efforts with the SDG goals of the country we operate in. Furthermore, in support of SDG 12 – Sustainable Consumption and Production, Sateri, together with some of the major fashion brands in China, launched the "520 Social Responsibility

Day" campaign that comprised a series of targeted initiatives aimed at promoting environmental awareness and responsible consumption amongst children and the general public.

Looking back over our performance in 2018, we have made headway with the strategic objectives and targets we have set. While we are pleased with our progress, we fully appreciate there is always more that can be done. We will step up and continue to focus on delivering our strategy in 2019, including working with stakeholders within the industry and the broader society, to develop better practices and deliver sustainable viscose at scale.



Allen Zhang

President

Sateri Sustainability Performance Highlights

Products

◆ Sourcing



◆ Sustainable Products



USDA
100% Bio-based
certification



E.U.
Seedling (compostable)
certification

◆ Sustainable Consumption



BVY (Best Viscose Yarn) development project helps downstream manufacturers produce high-quality yarn and fabric products



In 2019, EcoCosy® responded to the 20 May, "520 Social Responsibility Day" initiative by promoting the ideas of "green consumption and environmentalism"

Employees

◆ Employment and Training



Number of employees

3,512



Average training hours per employee at mill level

69.1

Compared with 2017

↑ 16%

◆ Occupational Health and Safety



100 %

Employees who have received safety education and training



Lost time injury frequency rate per 200,000 hours worked at mill level

0.20

Environment

◆ Environmental Management

Total annual investment on environmental protection initiatives



USD 22,409,750

◆ Use of Resources

Total energy consumption per unit product



782

kg of standard coal equivalent per tonne product (or 22.92 GJ per tonne product)

◆ Emissions



SO₂ Emissions per Unit Product 0.42 kg per tonne of product / compared to 2017 ↓ 65.4%

NO_x emissions per unit product 0.67 kg per tonne of product / compared to 2017 ↓ 36.6%



COD Discharge Per Unit Product 1.94 kg per tonne product / compared to 2017 ↓ 36.1%

NH₃-N Discharge Per Unit Product 0.08 kg per tonne product / compared to 2017 ↓ 48.6%



Total Sulphur Recovery Rate

98%

2017 2018

SJX 94.1% ↗ 95.9%

SFJ 98.7% ↗ 98.9%

SJJ 94.3% ↗ 98.8%

Community

◆ Volunteer Service



Employee volunteer service hours

3,746

Compared with 2017

↑ 27 %

◆ Public Welfare Investment



Public Welfare Investment

USD 121,800

Contributing to "Book Donation Drive", "One Mind, One Action", "Filial Piety Culture Festival", and "Caring for Migratory Birds" events.

◆ Social Recognitions



Granted the "Annual Charity Practice Award" at the China Charity Festival

Honoured as one of the "Caring Companies" at China's Third Student Financial Support Event, entitled "Igniting Small Wishes to Achieve Big Dreams"

In 2019, Sateri's brand EcoCosy® was ranked among the "Top 60 Responsible Brands of Chinese Corporate Citizens"

Sateri At A Glance

(GRI 102-1, 102-2, 102-3, 102-4, 102-6, 102-7, 102-8, 102-10, 102-42, and 102-44)

Sateri is the world's largest viscose producer. Its four mills in China collectively produce more than 1.1 million metric tonnes of viscose per annum.

Headquartered in Shanghai, with a sales, marketing and customer service network covering Asia, Europe and the Americas, Sateri is strategically positioned to serve the China market which is the world's largest and fastest growing market for viscose fibre.

Since its founding, Sateri has continuously sought to incorporate sustainability into its strategic approach, including developing and strictly implementing its Sustainability Policy and Pulp Sourcing Policy.

Sateri has also achieved several sustainability certifications and audits relating to its sourcing, production, and products. Sateri is committed to the protection of the ecosystem and continues to seek solutions to minimise its environmental impact throughout the value chain.



Vision

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



Core Values

Complementary team, ownership, people, integrity, customers, continuous improvement.

Origin of the "Sateri" brand name



"Sateri" is a transliteration of the Finnish word "Säteri" which comes from Finnish epics and folklore stories Kalevala during the 19th century, and can be interpreted as, "the silk-like lustre of a woman's dress".



Annual Production
Capacity

1.1 Million
tonnes



Markets Served

China, Indonesia, Turkey,
Pakistan and other Asian
and European countries.



Number of
Employees

3,512

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

Sateri's Global Presence

Jiujiang City, Jiangxi Province

China

- Sateri Jiangxi
- Sateri Jiujiang
- Sateri China (under construction)

Nanjing City and Suqian City, Jiangsu Province

China

- Employees at RGE Nanjing
- Linz Nanjing
- Sateri Jiangsu

Shanghai Municipality

China

- Sateri Shanghai

Putian City, Fujian Province

China

- Sateri Fujian

Singapore

Singapore

- Employees at RGE Singapore

Operating Mills



Sateri Jiangxi (SJX)

- Located in Jiujiang City, Jiangxi Province, put into operation in 2004
- Sateri's first viscose mill in China



Sateri Fujian (SFJ)

- Located in Putian City, Fujian Province, put into operation in 2013
- One of the world's leading viscose mills



Sateri Jiujiang (SJJ)

- Located in Jiujiang City, Jiangxi Province
- Completed acquisition in 2015
- Completed expansion in 2018

Sateri Jiangsu

- Located Suqian City, Jiangsu Province
- Acquired by Sateri in 2019 (formerly known as Jiangsu Xiangsheng Viscose Fibre Co., Ltd.)



Linz Nanjing

- Located in Nanjing City, Jiangsu Province
- Acquired by Sateri in 2016 to provide technical support for viscose product development

Offices



Sateri Shanghai

- Sateri headquarters
- Sateri's commercial and business development centre

Other Office Employees

- Sateri employees at RGE Singapore
- Sateri employees at RGE Nanjing

Mills under Construction




Sateri China

- Located in Jiujiang City, Jiangxi Province
- Commenced construction in November 2017

From Forests to Fashion: Viscose Products Sourced from Renewable and Biodegradable Materials

The fashion industry is one of the largest and most polluting industries in the world. According to the Forests for Fashion initiative launched by the United Nations Economic Commission for Europe and the United Nations Food and Agriculture Organisation (UNECE/FAO), 10% of the world's total greenhouse gas (GHG) emissions and 20% of the world's total wastewater comes from the fashion industry. Forests, however, can serve as an important part of the solution to counter these severe environmental impacts of the textile industry by using wood-based products like viscose. Viscose is biodegradable, as well as softer and more absorbent than cotton. For these reasons, it is favoured by and extensively used in the fashion industry. According to industry research, the production of viscose products also consumes less energy and emits less greenhouse gas (GHG) than cotton, wool, polyester, and other traditional textile materials.

Sateri's main products include viscose and viscose yarn which are primarily made from wood cellulose. Fabrics made out of viscose, characterised by their breathability, are widely used in the clothing and home textile sectors, as well as in personal hygiene products which come into direct contact with the skin, such as baby wipes, beauty masks and medical dressings.

 <p>Viscose</p>	<p>General viscose</p> <ul style="list-style-type: none"> •1.11 dtex •1.33 dtex •1.67 dtex
	<p>Textile fibres</p> <p>Sateri BV EcoCosy 优可丝 系列产品</p> <p>Customised viscose</p> <ul style="list-style-type: none"> •Open-end spinning (BVO®) viscose •Vortex spinning (BVM®) viscose •Ring/compact spinning (BVR™) viscose •Fine-count yarn (BVF®) viscose
	<p>Differentiated viscose</p> <ul style="list-style-type: none"> •Colour™ viscose •Antibacterial™ viscose •Tai Chi Stone fibre •Air-conditioning fibre •UV resistant fibre <p></p>
 <p>Viscose yarn</p>	<p>Nonwoven fibres</p>
	<p>Types</p> <p>Compact siro spinning yarn Vortex spinning yarn Open-end spinning yarn</p>



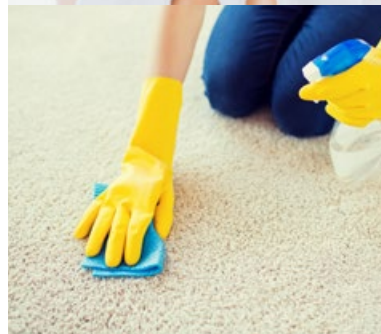
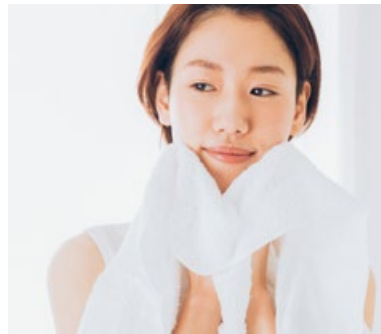
In 2019, Sateri launched EcoCosy®, a new brand that redefines what it means to be a viscose product. In addition to meeting consumer demands for enhanced softness, comfort, health, and safety, EcoCosy® offers a high-quality consumer experience through its “premium quality”, “preserving ecology” and “preferred partner” programmes. For more information on EcoCosy® products, please refer to the Sustainable Products and Consumption section.

Common Applications



Clothing

high-end knitted underwear, dresses, T-shirts, jeans, shirts, casualwear, etc



Home textiles

high-end towels, beddings, tablecloths, napkins and decorative fabrics



Non-woven products

baby wipes, beauty masks, medical dressings, etc

2020 Sustainability Goals and Progress ^[1]

Product Management and Value Chain

2020 Goals	Current Progress
Improve user-friendliness and sustainability of products and packaging through material control and technology upgrading	Ongoing <ul style="list-style-type: none"> The Sateri EcoCosy® BV Series improves fibre spinning efficiency, thereby helping downstream yarn and fabric firms reduce their labour intensity, energy consumption, and carbon footprints.
Obtain at least eight certifications or accreditations such as bio-based, biodegradable/compostable and skin-friendly	Ongoing As of the end of 2018 <ul style="list-style-type: none"> Textile, non-woven fibres and yarn products received STANDARD 100 certification from OEKO-TEX®. Textile and non-woven fibre products received the MADE IN GREEN label from OEKO-TEX®. Viscose white fibre products received the 100% Bio-Based Certification from the US Department of Agriculture. All viscose mills have received the STeP certification from OEKO-TEX®. All viscose mills have passed the Higg FEM 3.0 sustainability assessment. 2019 <ul style="list-style-type: none"> Non-woven fibres received the EU Seedling certification for biodegradability.
Use Sateri's industry influence to promote improvement of traceability and sustainability of every component of the value chain	Ongoing <ul style="list-style-type: none"> EcoCosy® developed a unique virtual certification technology which can provide high quality services to industry chain partners. Sateri launched the BVY project, which uses a Chain of Custody (CoC) management and tagging system to realise a transparent model for traceable management functionality across the entire value chain. Sateri is currently working with domestic and foreign research institutes and other technology partners to conduct innovative research in the field of recycled fibres.

Responsible Sourcing

2020 Goals	Current Progress
Encourage suppliers to obtain PEFC™ or FSC® Chain of Custody certification	Ongoing <ul style="list-style-type: none"> In 2018, 98.5% of the wood pulp sourced by Sateri was from suppliers who either had received the PEFC™ or FSC® Chain of Custody certifications for dissolving wood pulp.
By 2020, ensure that 100% of purchased pulp is either certified or sourced from controlled wood	Ongoing <ul style="list-style-type: none"> In 2018, the proportion of wood pulp Sateri sourced from PEFC™ or FSC® certified or controlled wood pulp increased from 91% in 2017 to 98.5%, of which 96.7% was of PEFC™ or FSC® certified sources.

Energy Efficiency and Cleaner Production

2020 Goals	Current Progress
Establish and implement cleaner production plans and conduct greenhouse gas(GHG) verification to improve energy efficiency and reduce GHG emissions	Completed <ul style="list-style-type: none"> In 2018, all viscose mills completed GHG emission verification on their own operated power plants. SFJ has also completed GHG emission verification for its viscose mill. In 2018, the energy consumption per unit product ^[2] was 782 kg of standard coal equivalent per tonne product(namely 22.92GJ per tonne product).
By 2020, all viscose mills will complete cleaner production audits and complete assurance inspections	Completed <ul style="list-style-type: none"> By the end of 2018, all viscose mills completed cleaner production audits and inspections and have been rated as a Domestic Advanced Cleaner Production Enterprise in China.
By 2020, water use per unit of product will be reducedby 20% compared with 2016	Ongoing <ul style="list-style-type: none"> In 2018, overall water consumption per unit product ^[3] was 50.5 cubic metres (m³) / tonne, representing a decrease of 3.50% compared with 2016.

Environmental Impact

2020 Goals	Current Progress
Improve the collection and treatment of wastewater and air emissions through technological upgrading and optimised management to achieve robust compliance	Completed <ul style="list-style-type: none"> In 2018, Sateri invested a total of 22,409,750 USD on environmental protection initiatives. In 2018, all viscose mills launched ultra-clean emissions projects, while SJX and SJJ additionally launched advanced wastewater treatment projects, resulting in significant improvements to overall waste gas and wastewater processing capacities.
By 2020, chemical oxygen demand (COD) discharge will be controlled within 50 mg/L at each mill	Ongoing 2020 Goals already achieved: <ul style="list-style-type: none"> 2018 SJX COD emission concentration ^[4]: 34 mg / L 2018 SJJ COD emission concentration ^[4]: 28 mg / L 2020 Goals currently unmet: <ul style="list-style-type: none"> 2018 SFJ COD emission concentration: 59 mg / L
Sulphur dioxide (SO ₂) from the boilers will be controlled within 35 mg/m ³ in all viscose mills	Ongoing 2020 Goals already achieved: <ul style="list-style-type: none"> 2018 SFJ boiler SO₂ concentration ^[5]: 24 mg / m³ 2018 SJJ Phase I boiler SO₂ concentration: 20 mg / m³ 2018 SJJ Phase II boiler SO₂ concentration: 6 mg / m³ 2020 Goals currently unmet: <ul style="list-style-type: none"> 2018 SJX boiler SO₂ concentration: 79 mg / m³

Occupational Health and Safety

2020 Goals	Current Progress
Continue cultivating awareness of safety among employees; Continue developing safety corporate culture; Continue reducing workplace accident rates	Ongoing <ul style="list-style-type: none"> In 2018, 100% of employees at mill level were provided safety education and training.
By 2020, the loss-time injury frequency rate (LTIFR) per 200,000 hours worked will be reduced by 40% compared with 2016	Completed <ul style="list-style-type: none"> In 2018, the overall LTIFR of viscose mills was 0.20, representing a 59% decrease compared with 2016 and a 25% increase compared with 2017. The 2018 LTIFR of Linz Nanjing was 0. In 2018, the total number of employee deaths from work-related injuries was 1^[6].

Transparency

2020 Goals	Current Progress
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	Ongoing <ul style="list-style-type: none"> Sateri mills continues to regularly host “Factory Open Day” events and publicise wastewater discharge information. In 2018, SFJ and SJX held public presentations showcasing Sateri’s corporate history, sustainability efforts, and cleaner production initiatives. In 2018, Sateri received 0 public complaints regarding its sustainability practices.
Collaborate with the stakeholders along the value chain to enhance transparency of sustainability information in the industry sector	Ongoing <ul style="list-style-type: none"> In 2018, Sateri organised the “International Non-woven Fabric Day” event, and host seminars and other activities aimed at improving communications with various partners throughout the related value chain. In 2018, under the Collaboration for Sustainable Development of Viscose (CV), SJJ held the “Long March of Green Development” to enhance corporate transparency and promote technological exchanges between CV members.
Release the independently assured sustainability report every year	Ongoing <ul style="list-style-type: none"> In 2017, Sateri released its first annual Sustainability Report for the 2016 business year. Previously both the 2016 and 2017 reports have been approved via external verification and the 2017 Sateri Sustainability Report was awarded the 2018 Golden Bee Excellent Corporate Social Responsibility Report Award.
By 2020, complete at least one independent sustainability transparency survey	<ul style="list-style-type: none"> Sateri plans to complete a transparency survey by 2020.

Cooperation with Related Stakeholders

2020 Goals	Current Progress
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	Completed
	<ul style="list-style-type: none">In 2018, Sateri, together with the China Chemical Fibres Association, China Cotton Textile Association, Tangshan Sanyou Group and 8 other viscose mills, jointly established the Collaboration for Sustainable Development of Viscose (CV) and released a related “Three-Year Action Plan”.CV is currently surveying raw material vendors, brand owners, government agencies, and civil organisations to gather their collective input and jointly develop a 2025 industry roadmap for sustainability.In 2018, Sateri participated in the Annual Meeting of the ZDHC Foundation’s Roadmap to Zero Program and there shared its practises in promoting sustainable fibres products. Sateri also shared its wastewater management practises in China with the ZDHC wastewater monitoring group.In 2019, Sateri agreed to facilitate ZDHC with the improvement of its wastewater index by offering its China-based viscose mills as the pilot sites to test the index’s applicability.In 2019, EcoCosy® collaborated with the designer brand ACFN to support the protection, restoration and preservation of swamp forest environments at the supply sites of dissolving wood pulp.In 2019, the EcoCosy® collaborated with the Chinese fashion brand Semir and other partners to support the Beaver Food Project in Altay, Xinjiang.In 2019, Sateri and the China National Textile and Apparel Council (CNTAC), along with involvement of other downstream firms, launched the EcoCosy® Climate Leadership Program to improve the industry chain’s energy efficiency and productivity, and to promote responsible production and sustainable development.

Giving Back to Society

2020 Goals	Current Progress
By 2020, Sateri employees will dedicate 2,150 hours per year to volunteer services to give back to the society	Completed <ul style="list-style-type: none">In 2018, Sateri employees contributed 3,746 hours to volunteer services.

Note:

[1].The 2020 Sustainability Goals are based on 2016 baseline values. Any assets acquired by Sateri before 2019 must comply with the 2020 Sustainability Goals while any newly acquired assets will use 2020 Sustainability Goals as management reference.

[2].Data on energy consumption per unit product in 2016 and 2017 disclosed in Sateri Sustainability Report 2017 are restated to 800 kg of standard coal equivalent per tonne product and 788 kg of standard coal equivalent per tonne product respectively.

[3].According to the 2018 Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process), steam consumption should be included in the calculation for fresh water consumption per unit product. The relevant data of 2016 and 2017 was adjusted accordingly: fresh water consumption per unit product for 2016 and 2017 have been restated to 52.3 m³ per tonne and 55.0 m³ per tonne respectively.

[4].In 2018, SJX and SJJ mills carried out advanced wastewater treatment processes, greatly reducing the concentration and discharge of its wastewater pollutants.

[5].In 2018, all Sateri viscose mills carried out ultra-clean emission projects, significantly reducing emission concentrations, rates and volume per unit product.

[6].In 2018, an employee of SJJ was accidentally injured during mechanical operation and was taken to a local hospital for treatment. One month later, the employee died of multiple organ dysfunction syndrome. After the incident, SJJ adopted a series of rectification measures, including installing protective devices, implementing further assessments of the skills and knowledge of mechanical operators, and increasing inspections for operational violations.

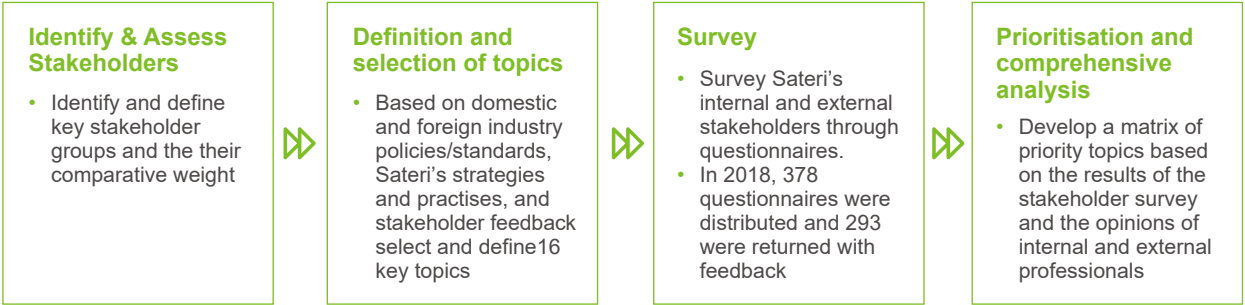
Analysis of Material Topics

Sateri systematically identifies and verifies material sustainability topics through dialogues and formal survey with key stakeholder groups, as well as evaluating the relevant global and national sustainability frameworks, standards and regulations. This approach enables us to understand analyse the priorities of stakeholders, and helps us identify where we can provide the most value, drive our strategy, allocate effort and resources, and guide our reporting.

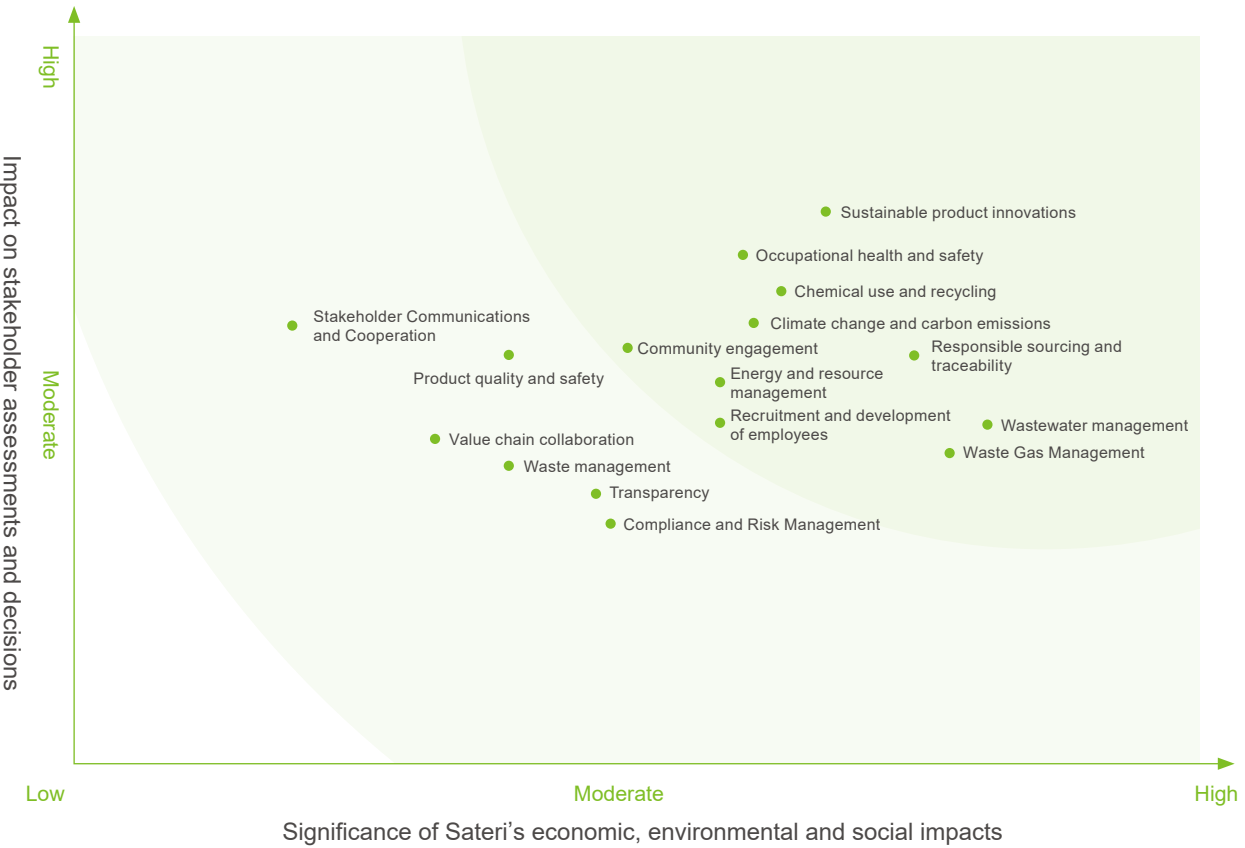
Finally, many of the issues presented on our matrix represent critical trends influencing the sustainability of our business and may not have direct links to GRI topics or indicators.

Taking into consideration as well the evolving industry trends that influence the sustainability of our business, we have updated this materiality matrix to reflect pertinent issues that are most critical to us and our stakeholders.

The process of determining our report content is illustrated below.



Sateri’s Materiality Matrix



The above materiality matrix analysis is two-fold, as it takes account of both the standpoint of Sateri and its stakeholders. It identified a number of material topics that are deemed to have a significant impact on the economic, social, and environmental performance of the Company or that are of most interest and concern to stakeholders.

Based on matrix, this Report elaborates on areas where its activities impact Sateri’s business, key stakeholders and society at large. These include wastewater management, climate change and carbon emissions, responsible sourcing and traceability, occupational health & safety, use and recycling of chemicals and product innovation. Please refer to the *Analysis and Boundaries of Material Topics* section (P51) for more details.



Sustainable Products and Consumption

(GRI 102-12 and 102-13)

One of the United Nations Sustainable Development Goals (SDGs) - responsible consumption and production - promotes the concept of “doing more with less”, that net welfare gains from economic activities can increase by reducing resource use, degradation and pollution, while increasing quality of life.

As one of the world’s leading viscose producers, Sateri has launched its new EcoCosy® brand to satisfy the demands of its clients and consumers, while simultaneously ensuring the efficient use of resources and energy to help reduce its environmental footprint during the product’s whole lifecycle and minimise its environmental impact. Sateri strongly believes that sustainable consumption cannot be based on the traditional consumption model of creating singularly focused final products, but instead must involve the firms from the product’s industry chain offering consumers holistic solutions. To this end, Sateri works closely with its industry chain partners to drive industry-wide sustainability, promoting public welfare, and educating the public on the idea of “green consumption and environmentalism”.

Sustainable Products



Unprecedented performance | Premium quality
Leading responsibility | Preserving ecology
Promoting win-win cooperation | Preferred partners

Sustainable Consumption



The BVY (Best Viscose Yarn) development project helps downstream manufacturers produce high-quality yarn and fabric products



In 2019, EcoCosy® participated in the “520 Social Responsibility Day” initiative in China by promoting the ideas of “green consumption and environmentalism”

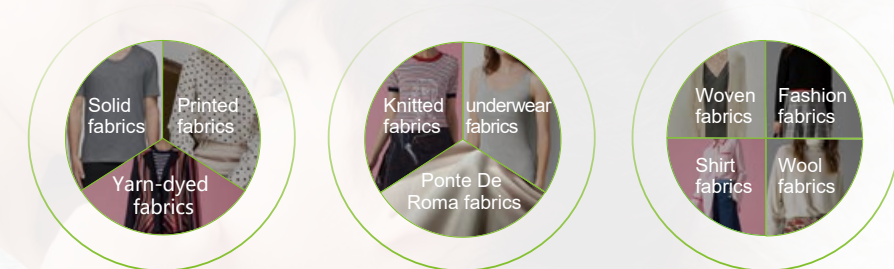
Sustainable Products

Sateri’s EcoCosy® viscose includes a BV fibre range, Colour™ viscose, and antibacterial viscose used in textile and non-woven products. EcoCosy® fibres redefine consumer experience through their “premium quality”, “preserving ecology” and “preferred partners” attributes.

Premium Quality

◆ Growing production and diversified product categories to meet market needs

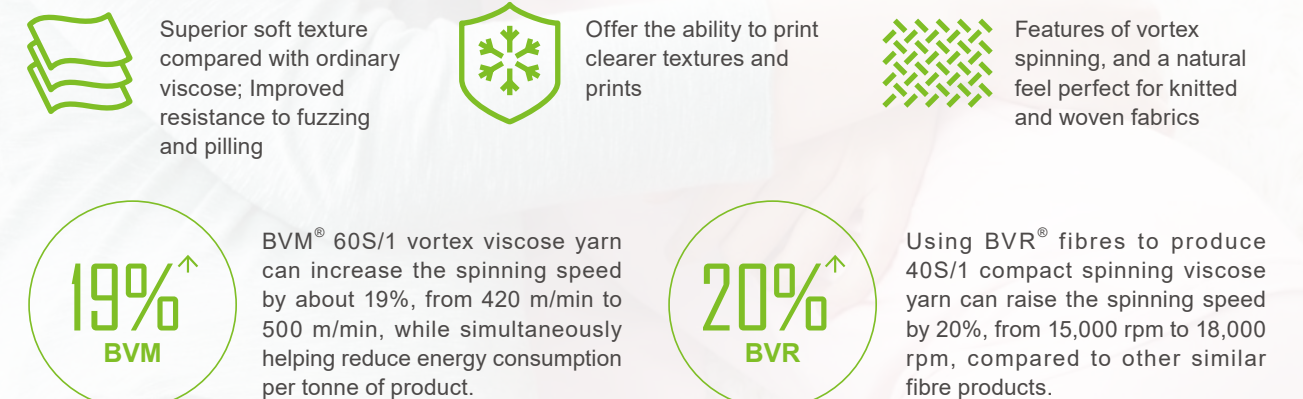
Quality of BV® fibre products



Evenly dyed | High colour fastness | Clearly printing | Fuzzing and pilling resistant | Delicate and smooth texture | High tenacity | Stretch & shrink resistant | High shape stability | High wear resistance

◆ Product category expansion to increase product applications

To better satisfy the varied fibre demands of different customers, Sateri has worked to continuously improve its product development process. Its fine-denier 0.9D fibre, a new member of the BVF® family, helps downstream yarn and fabric partners increase spinning speed in addition to ensuring their products have several advantaged traits:



Note: the numbers above are based on study conducted by Linz Nanjing.

Preserving Ecology



100%
of raw materials being
sourced from certified or
regulated suppliers

CFCC/PEFC™
certification

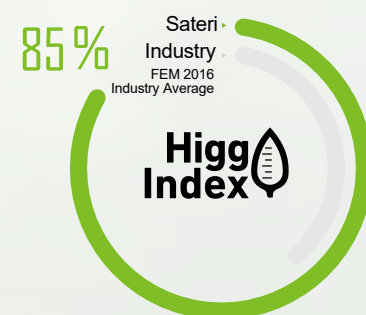


Products have passed the **Hazardous Substance Test** and are **sustainably** produced



USDA 100% Bio-based
certification

E.U. **Seedling** (compostable)
certification

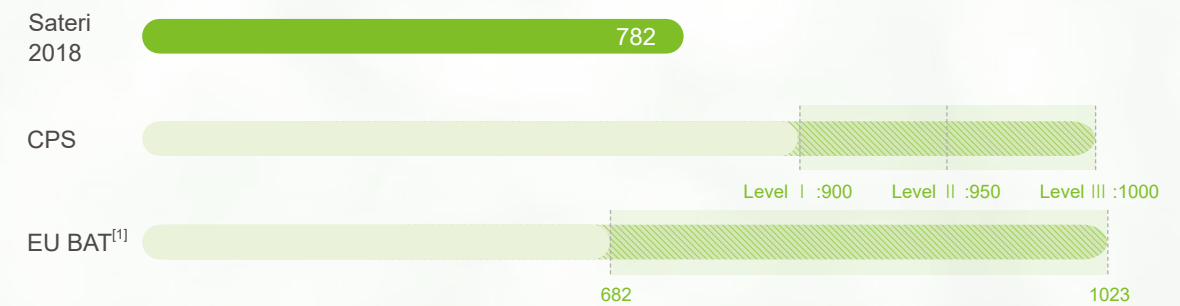


**One of the
world's first
viscose
companies**

to complete the
Higg FEM 3.0
environmental
assessment, and
to receive a score
higher than the
industry average

Total Energy Consumption per Unit Product

Unit: kg of standard coal equivalent per tonne product

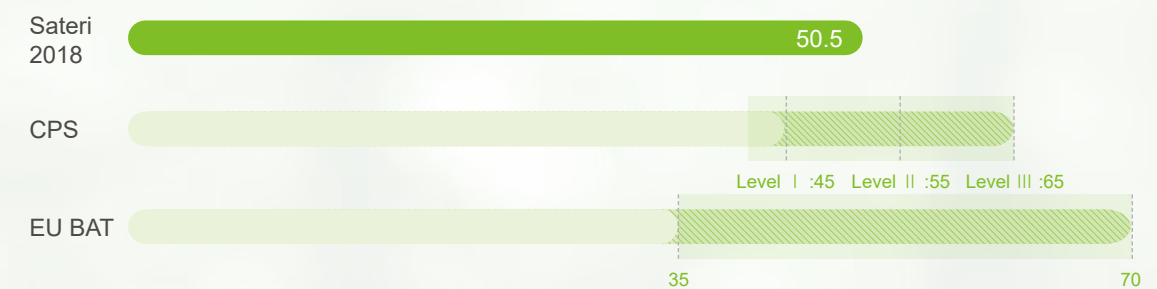


Note:

[1]. Under EU BAT, the range of total energy consumption per unit product is 20-30GJ/t, equivalent to 682-1023 kg of standard coal equivalent per tonne product.

Fresh Water Consumption per unit Product

Unit: m³ per tonne product



Total Sulphur Recovery Rate

Sateri: 2018 **98%**

EU BAT: **91.5%-94.9%**

CPS: **87%-92%**



Notes:

[1].The full name of each abbreviation used in these figures is as follows:

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

CPS: Cleaner Production Assessment Index System of Regenerated Viscose Manufacturing Industry (Viscose Process)

[2].In the Report, total sulphur recovery rate was calculated according to Textiles – Regenerated Viscose - Evaluation Criteria for Sustainable Viscose Staple Fibre - Production Standards - Core Indicators and Calculation Methods.

Preferred Partners

◆ Transparent supply chain and traceability management

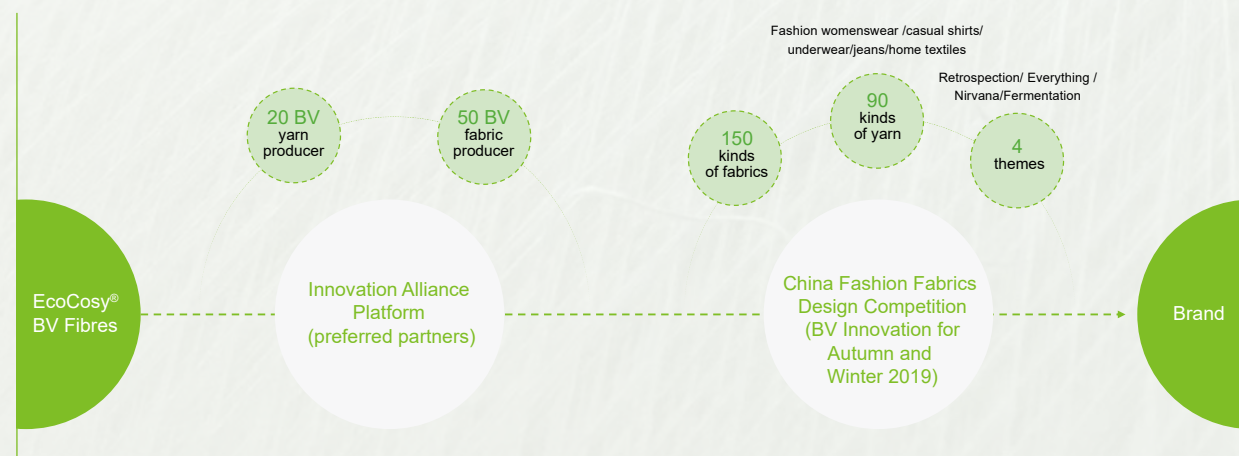


With its **exclusive virtual certificate (VC) technology**, products can be traceable.



EcoCosy® hangtags can be provided to meet branding needs

◆ Industry value chain alliance and partner cooperation empowers the brand's development



Participation of EcoCosy® in I Love Viscose, a “Viscose-Fashion” innovation studio, effectively empowering the brand's development.

Promoting Sustainable Consumption with Partners

Sateri believes that realizing sustainable consumption requires close cooperation within the industry chain to develop holistic solutions.

BVY Programme's Contribution to Upgrading the Industry Chain



Sateri works with its preferred yarn partners to produce high quality yarn products using Sateri's BV Series viscose as its primary raw material.

◆ Advantages of BVY



Sustainability

- ! Sustainably-managed forests
- ! Fibres are responsibly produced
- ! Comprehensively certified by international certification organisations



Superior quality

- ! High tenacity and yarn evenness
- ! Good dyeability and low fuzziness



Traceability

- ! The industry chain is monitored through production and sales supervision and the certification platform

Under the BVY Project, Sateri will issue a BVY certificate to yarn customers who meet the relevant requirements which prove their yarn products have used Sateri's BV viscose and are of superior quality to ordinary yarn products.

◆ Mission of BVY Project

To help fabric manufacturers identify and select yarn products made of BV viscose so that they can produce high quality fabric products; and assist them in obtaining commercial development support.

To help BVY partners develop and promote BVY product which have superior quality, sustainability, and are traceable.

To conduct in-depth cooperation with BVY partners and fabric partners who use BVY to expand the downstream applications of BV fibres, and gain a higher industry position and business value.



◆List of BVY Partners



*BVY partners appear
in random order; the
list to be updated
continuously

Collaboration for Sustainable Development of Viscose



In 2018, Sateri, together with the China Chemical Fibres Association, China Cotton Textile Association, Tangshan Sanyou Group Co. Ltd, and eight other viscose producers, established the Collaboration for Sustainable Development of Viscose (CV) to promote the green development of the viscose industry. In 2019, CV is working on the CV Roadmap 2025, and is seeking inputs from raw material suppliers, brands, government agencies and civil organisations to inform their sustainability roadmap for the viscose industry. The CV Roadmap 2025 evolves from CV's first Three-Year Roadmap, and will comprise higher standards for the responsible sourcing of raw materials and responsible production. To promote continuous improvement in the sustainability performance of the industry, these new standards will be aligned with the relevant benchmark of international and local standards, including those of the European Union.

Guided by its brand mission and values, Sateri EcoCosy® also is actively promoting direct initiatives and interactions with consumers. During China's "520 Social Responsibility Day", Sateri EcoCosy® joined fashion brands to raise public awareness on "green consumption and environmentalism".

Promoting Green Consumption in Response to the 520 Social Responsibility Day Initiative



Responding to the 520 Social Responsibility Day initiative, Sateri EcoCosy®, along with Chinese fashion brands Semir, Goodbaby, ACFN and their downstream partners, jointly organised a walkathon to raise funds for children's nature education programmes. During the livestream of the event, EcoCosy® and its followers held active discussions on green consumption and how to better help consumers increase awareness and interest in green consumption.

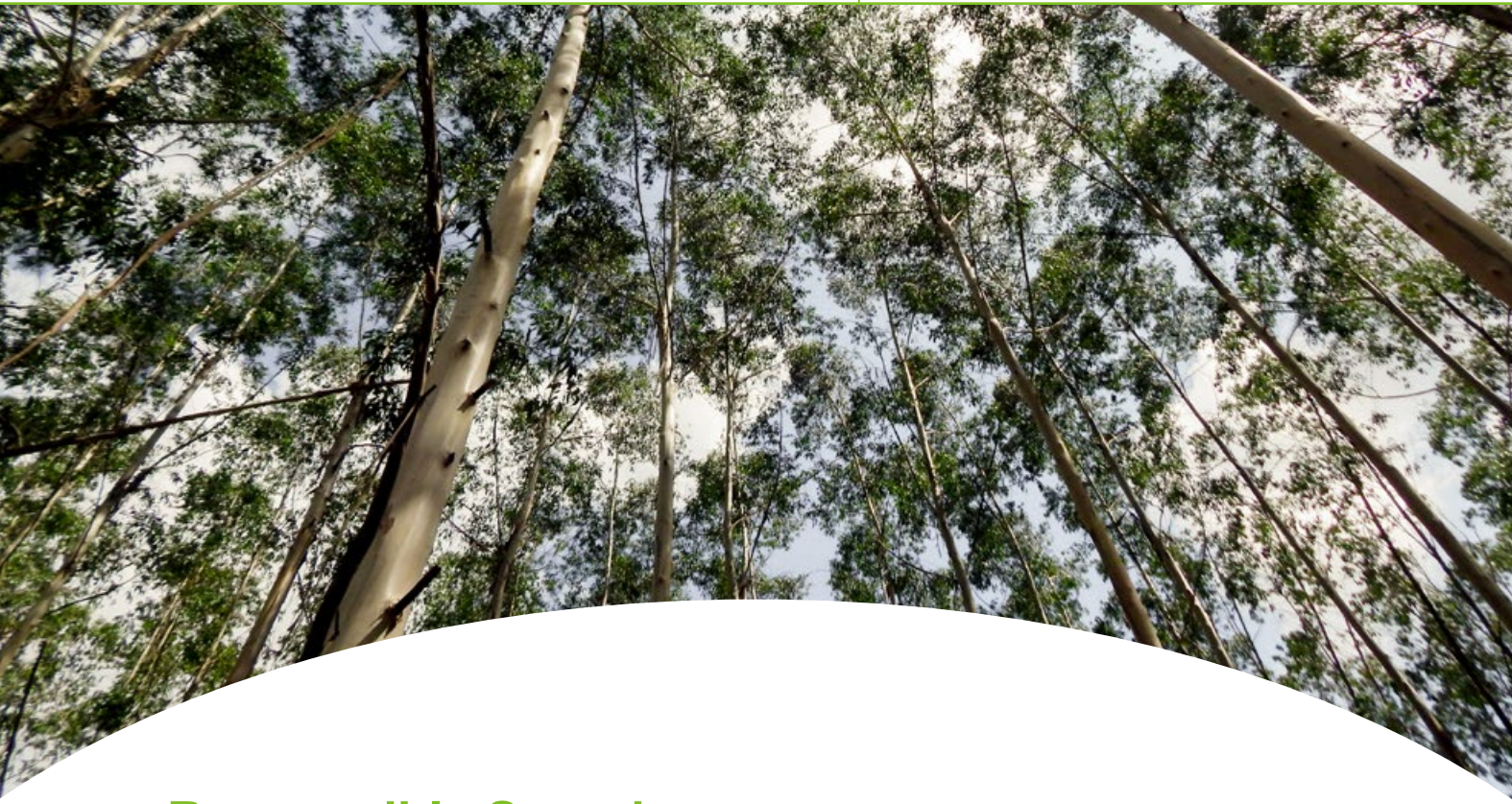
Sateri held several other events on the themes of green consumption and environmentalism. SFJ organised a cycling activity to promote green consumption among its community residents, while SJX, SJJ, and Sateri China jointly organised the EcoCosy® "Most Beautiful Shoreline" Walkathon Challenge along the Yangtze River. More than 200 employees participated in the 10-kilometre challenge, while at the same time helped reduce river and marine plastic waste by picking up litter like plastic bottles and bags, as well as other litter which had been left along the track. Such activities offered opportunities for direct actions and promotion of environmental awareness.



Harmonious Co-existence with Nature: Supporting the Mengxin Beaver Food Programme



With nature serving as its brand and material origin, EcoCosy® advocates for symbiotic and harmonious co-development between humans and nature, and deeply values the protection of the ecosystem. In 2019, EcoCosy® teamed up with its fashion brand partners, Semir, ACFN, and others, to support the Beaver Food Programme of the True Nature Conservation Association, in order to help address the survival of the Mengxin beavers, one of China's National Class I Protected Wild Animals, as well as promote the health of the beaver's Wu River ecosystem.



Responsible Sourcing

(GRI 102-9 and 203-2)

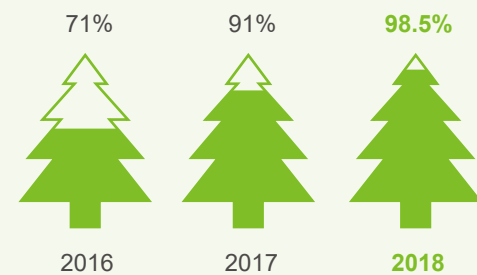
Fibres produced from forest materials can contribute to climate change mitigation and biodiversity conservation if they originate from sustainably-managed forests, and that we produce them in a sustainable and ethical manner.



Sateri practises responsible sourcing through using its sustainable sourcing management systems, regular review of its *Pulp Sourcing Policy* as part of continuous improvement and engaging with suppliers before and after they are integrated into our supply chain.



Sateri supports suppliers who are genuine and committed to sustainable development by contribution to their causes that strive to protect important ecological and social values.



Total wood pulp sourced by Sateri from certified or controlled suppliers:

98.5%

Of this amount,

96.7%

was certified wood pulp

Responsible Sourcing Management

Sateri carries out responsible sourcing according to its *Pulp Sourcing Policy*. We established a robust set of guidelines on responsible sourcing and are continually working to make our supply chain more transparent and accountable. This includes requiring all dissolving wood pulp suppliers to sign a *Declaration of Commitment to Comply with the Sateri Pulp Sourcing Policy* and undertaking a sustainability risk assessment of them. Where we find risks or gaps we work with the relevant suppliers to ensure timebound improvement plans are put in place.



In 2018 Sateri earned ten “buttons” in Canopy’s “Annual Hot Button Rankings”

Sateri encourages its wood pulp suppliers to obtain the Chain of Custody (COC) certification for their forest products and continues to increase the proportion of its wood pulp sourced from certified or controlled suppliers. In 2018, the proportion of certified or controlled wood pulp sourced by Sateri increased from 91% in 2017 to 98.5% in 2018.

In May 2018, Sateri, together with the non-profit environmental protection organisations, Canopy and Rainforest Alliance (now named NEPCo), published the results of an independent audit of Sateri’s wood pulp sourcing practises. Based on feedback from the audit results and communications with its suppliers, Sateri began working with its suppliers to collect more detailed information on its supply chain, including the forest origin of pulp sources, and maps of plantation sites and supplier practices.

Geographic Distribution of Sateri’s Wood Pulp Suppliers



Asia



Europe



The Americas

Viscose from Renewable Plantations that Protect Nature

Sateri believes responsible business conduct includes ensuring that responsible sourcing of raw materials. To this end, Sateri supports pulp suppliers who are committed to environmental and social sustainability while pursuing economic growth.

Ensuring a Clean Aquatic Environment for Water-Dependent Wildlife

Restorasi Ekosistem Riau (RER) is a conservation initiative to restore and protect 150,000 ha of ecologically important forest areas in Sumatra, Indonesia. Home to hundreds of species of plant and animal wildlife, including critically-endangered ones as well as a large sink that stores vast amounts of forests, RER is committed to conserve the area through the Protection-Assessment-Restoration-Management approach in partnership with environmental NGOs and local communities.

Recognising that the peat forest is a sanctuary for water dependent wildlife, Sateri’s EcoCosy® collaborated with our supply partner APRIL in 2019 to conduct an in-depth study of the unique and rarely studied Odonata dragonfly species in the said peat forests. the presence of odonata is an indicator of freshwater, aquatic ecosystem health and good water quality because their early development stages may last 1-6 years in water before emerging as an adult that is able to fly. This dependency on clean water represents a harmonious relationship with its aquatic environment.



Energy Productivity and Climate Change

(GRI 302-1, 302-3, 302-4, and 302-5)

In December 2018, several brands and organisations from the fashion and luxury industries signed the new *Fashion Industry Charter for Climate Action* at the UN Climate Change Conference (COP24) in Katowice, Poland. The Charter promote the environmental protection efforts of the fashion industry and calls for the industry to achieve “net zero emissions” by 2050.

Product Waste and Recycling

- Being 100% bio-based, Sateri’s viscose can help reduce overall GHG emissions more effectively than traditional petroleum-derived products.
- To reduce waste from the start, Sateri is working with research institutes and technological partners to conduct innovative research on recycled and regenerated fibres.

Brand Owners and End Consumers

- EcoCosy®, together with several Chinese fashion brands, supports the Mengxin Beaver Food Programme of the True Nature Conservation Association. Utilizing the resources of ricedonate.com, an Internet-based public charity platform, this programme helps the public realise their desire to directly participate in ecological protection, while also guiding consumers to develop low-carbon habits.
- As part of its participation in the “520 Social Responsibility Day” initiative, Sateri, through its brand EcoCosy®, worked with various stakeholders to organise public campaign in Shanghai and areas where its mills operateto promote the ideas of “green consumption and environmentalism” to the public.

Sourcing

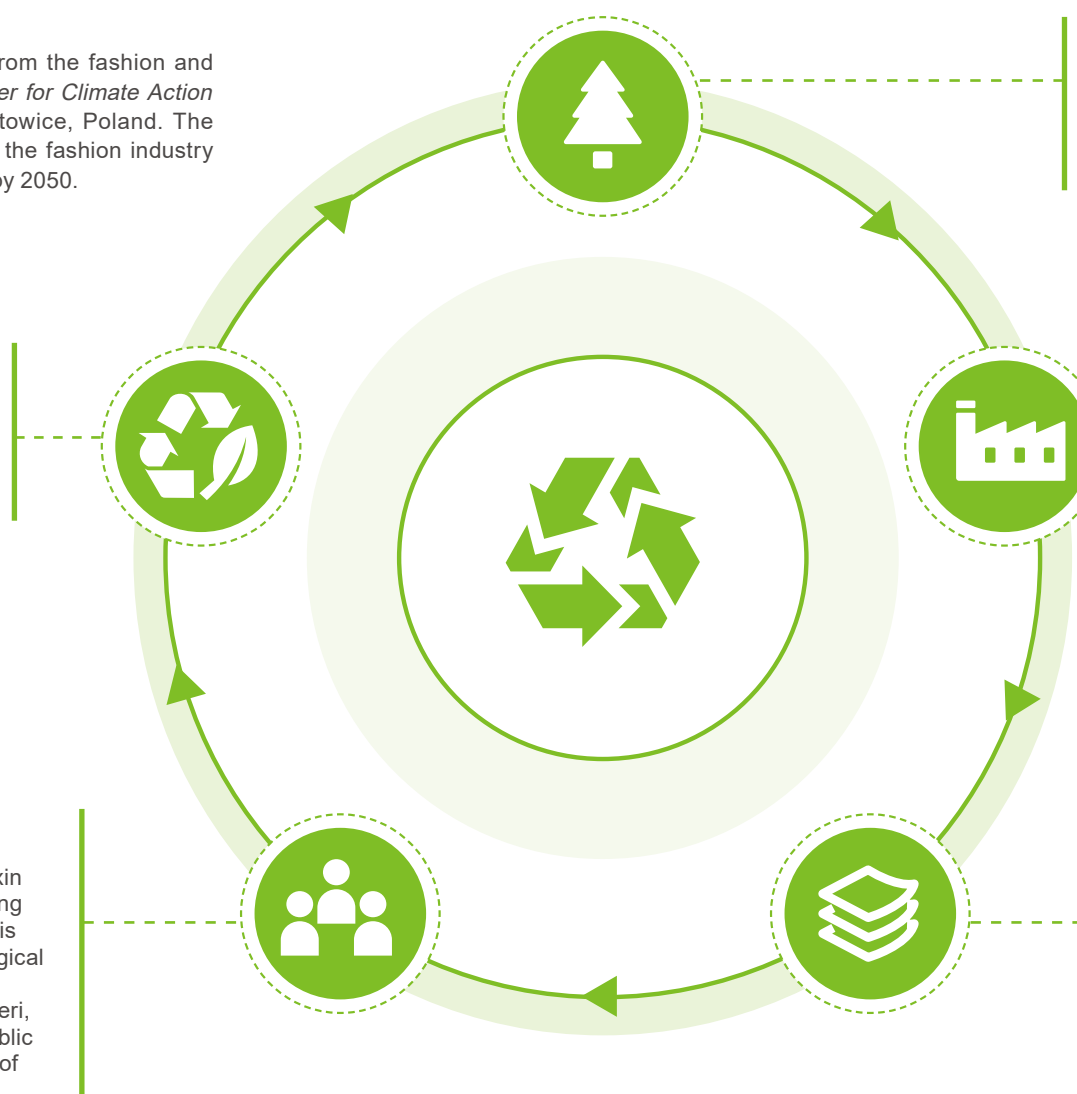
- Wood pulp sourced by Sateri comes from renewable plantations that are sustainably managed and planted.
- Renewable plantations absorb carbon dioxide from the air as they grow.

Viscose Production

- Sateri-owned power plants use raw coal and diesel fuel to generate power. To promote a low-carbon production process, Sateri will continue to optimise its power generation processes and improve energy productivity.
- Each of Sateri’s viscose mills sets targets for their associated power plants to save energy and reduce energy consumption, while regularly verifying the plant’s GHG emissions, and tracking their own emissions.

Textile and Nonwoven Product Manufacturing

- Sateri’s products may generate additional GHGs when they are further processed, used, transported, distributed, and disposed at their downstream manufacturing sites. With the help of Sateri EcoCosy® BV Series fibres and Colour™ viscose, downstream yarn and fabric firms can increase spinning and weaving efficiency, and thereby reduce their labour intensity, energy consumption, and carbon footprints.
- Via the *Climate Leadership Action Plan* and other platforms, Sateri is able to communicate with both upstream and downstream partners of the industry chain to collectively drive a low-carbon transformation of the industry.



Total energy consumption per unit product ^[1]

782 kg of standard coal
equivalent per tonne
product
(or 22.92 GJ per tonne
product)

Total greenhouse gas emissions ^[2]

2,589,904 tonnes of
CO₂e

Note:

[1]. For the calculation of total energy consumption per unit product, a conversion was applied based on a standard linear density of 1.67dtex. If this standard linear density conversion is not applied, the total energy consumption per unit product as expressed in GJ would be 28.28 GJ per tonne product.

[2]. The total greenhouse emissions calculations includes greenhouse gas emissions in Scopes 1 and 2 of all locations (mills and offices) which Sateri had established operational control of in 2018.

Continuous Improvement in Energy Productivity

Through its “continuous improvement” programme, Sateri has optimised its production process with incentives and focused improvement actions to increase energy efficiency, reduce GHG emissions and impact on climate change. Sateri’s Continuous Improvement Department has developed metrics which encourage all employees to be active participants in implementing responsible production practices with a sense of ownership.

Reduced Coal Consumption per Tonne of Viscose Staple Fibre at SJX

Sateri’s main energy source is generated by its power plants. Therefore, improving the energy efficiency of its power plants and achieving full utilisation of fuels is one of the key targets of its Continuous Improvement Programme.

In 2018, SJX set its annual energy conservation target based on the mill’s 2017 annual average of coal consumption per tonne of viscose staple fibre produced. By identifying areas that could be improved in each stage of production and analysing their causes, SJX was able to develop a series of improvement measures and assign specific individuals to be responsible for implementing them. After improving energy management mechanisms and implementing technological upgrades and equipment maintenance, SJX succeeded in raising the energy efficiency of each production phase.

Primary technological upgrades and equipment maintenance measures adopted:

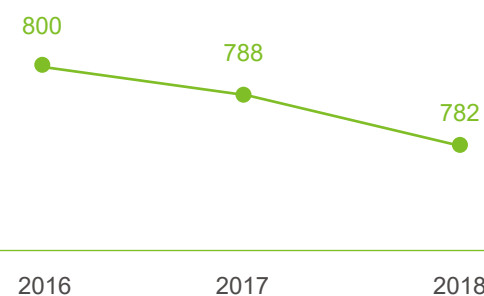
- Altering the power plant’s heat exchanger recovery process
- Installing heat exchangers
- Installing condensation recovery pipelines

Following these changes, SJX’s coal consumption in 2018 is estimated to have saved by:

7,712 tonnes

Total Energy Consumption Per Unit Product

kg of coal equivalent per tonne product



Note:

[1].Based on review, the data of comprehensive energy consumption and energy consumption per unit product in 2016 and 2017 disclosed in Sateri Sustainability Report 2017 should be corrected to 800 kg of standard coal equivalent per tonne product and 788 kg of standard coal equivalent per tonne product separately.

Helping Address Climate Change with EcoCosy® BV Series Fibres

Leveraging their leading performance in strength, spinning speed, efficiency, and quality, Sateri EcoCosy’s® BV Series fibres enable downstream yarn and fabric firms to increase spinning efficiency, and decrease the rate of broken ends, labour intensity, and energy consumption. The result is a reduced carbon footprint and a lower contribution to climate change.

To further strengthen the management of GHG emissions, Sateri has voluntarily completed the Carbon Disclosure Project (CDP)’s climate change questionnaire in 2019, disclosing its GHG emissions in Scope 1, Scope 2 and Scope 3.



The Sateri EcoCosy® Climate Leadership Action Plan

The China National Textile and Apparel Council (CNTAC) and the China Textile Information Centre jointly launched the *Carbon Stewardship 2020* initiative in 2017. Together, they developed a roadmap for the *Carbon Stewardship 2030* based on the global climate change action plan for the fashion industry under the *United Nations Framework Convention on Climate Change (UNFCCC)*.



Cooperating with Industry Chain Partners to Drive its Low-Carbon Transformation

Evaluating the climate change impact of each segment of the product value chain, Sateri is actively cooperating with industry partners to reduce GHG emissions for the entire industry chain.

In 2019, Sateri worked with the China National Textile and Apparel Council (CNTAC) and value chain partners to establish an energy consumption and GHG emission data system. Additionally, Sateri developed an EcoCosy® *Climate Leadership Action Plan*.

In response to the *Carbon Stewardship 2030* initiative, Sateri’s EcoCosy® signed the *Value Chain Partner Action Commitment for the EcoCosy®Climate Leadership Programme* and developed the *EcoCosy®Climate Leadership Action Plan*. To mitigate its impact on climate change, Sateri will leverage the sustainability attributes of its products to ensure the efficient use of resources and reduction of emissions, and further explore solutions to improve energy efficiency and productivity of the industry chain through innovations in raw material processing technologies. In addition, Sateri will work with its value chain partners to conduct GHG emissions accounting, product assessments, capacity building, community programmes, and other activities to promote low-carbon transformation of the textile industry and low-carbon development of the fashion industry.





Mitigating the Impact of Emissions

(GRI 305-7 and 306-1)

The Collaboration for Sustainable Development of Viscose (CV) developed a "Three-year Action Roadmap for Green Development" in 2018 which set goals and paths to guide viscose producers in sourcing and manufacturing practices towards sustainable development.



In an effort to reduce emissions, Sateri collects, recycles, and treats both the flue gas from the boilers of its coal-fired power plants and the waste gas from its production processes. In 2018, all of Sateri's viscose mills implemented an ultra-clean emission transformation programme for boiler exhaust gas and were able to lower their concentration of emissions and overall volume of gaseous pollutants.



In 2018, SJX and SJJ significantly improved their wastewater treatment capacity through the adoption of advanced wastewater treatment technology to enhance its wastewater treatment capacity and meet higher emission standards.

SO₂ Emissions per Unit Product

Unit: kg per tonne product

2016	<div></div>	1.15
2017	<div></div>	1.21
2018	<div></div>	0.42

NO_x Emissions per Unit Product

Unit: kg per tonne product

2016	<div></div>	1.10
2017	<div></div>	1.06
2018	<div></div>	0.67

CS₂ Emissions per Unit Product

Unit: kg per tonne product

2016	<div></div>	0.47
2017	<div></div>	0.43
2018	<div></div>	0.33

H₂S Emissions per Unit Product

Unit: kg per tonne product

2016	<div></div>	0.17
2017	<div></div>	0.14
2018	<div></div>	0.10

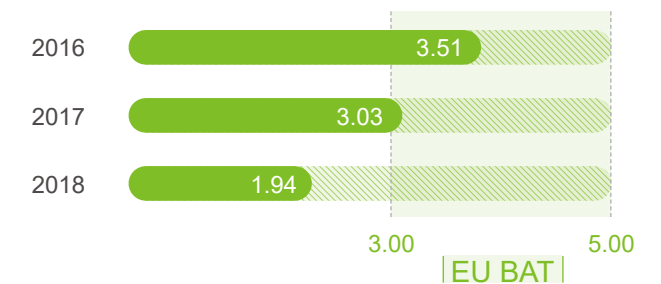
NH₃-N Emissions per Unit Product

Unit: kg per tonne product

2016	<div></div>	0.19
2017	<div></div>	0.16
2018	<div></div>	0.08

COD Emissions per Unit Product

Unit: kg per tonne product



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



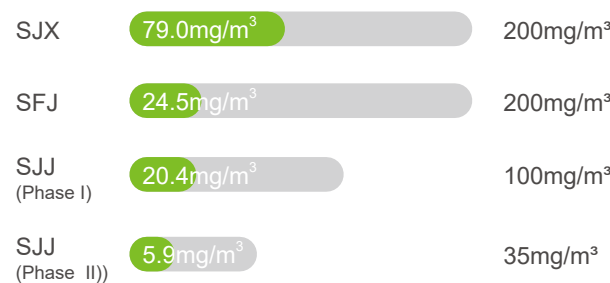
SFJ was awarded the 2018/2019
“Golden Key Award for Green Contributions” from the China
 Chemical Fibres Association’s LUYU Foundation

Reduced Exhaust Emissions

Through scientific management and technological transformation, Sateri's viscose mills have continuously lowered their average exhaust emissions, thereby mitigating their overall environmental impact.

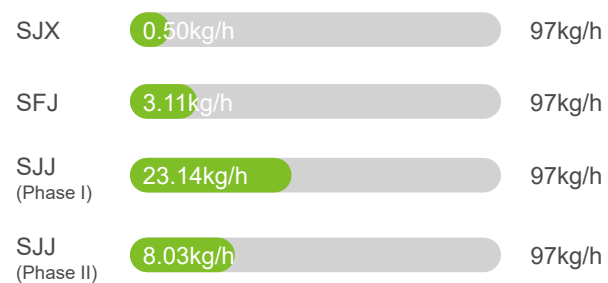
- Exhaust emissions from boilers were reduced by initiating an ultra-clean emission programme for coal-fired power plants and raising the emissions standard for exhaust pollutants from boilers;
- Exhaust emissions were also eliminated from certain production processes through technological transformations, including odour controls measures for the cooling towers of acid stations and wastewater flumes, as well as altering the treatment of exhaust gas from the Wet Sulphuric Acid (WSA) process.

Emission Concentration of Exhaust Gas SO₂ from Boilers



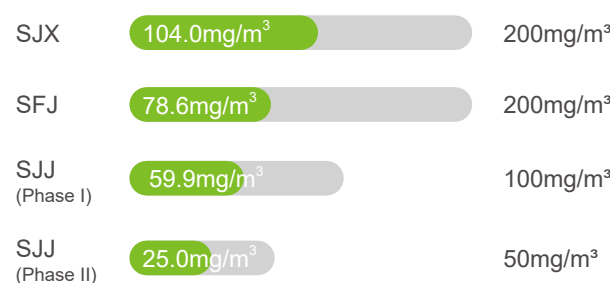
● Emission concentration in 2018 ● Emission concentration limit

CS₂ Emission Rate



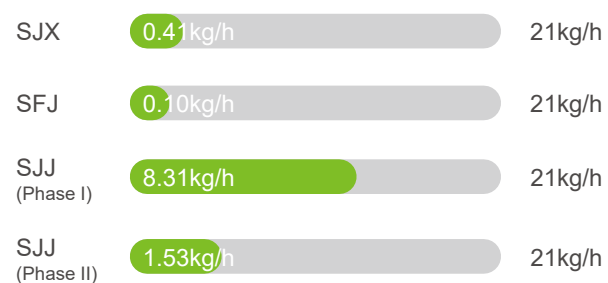
● Emission rate in 2018 ● Emission rate limit

NO_x Emission Concentration



● Emission concentration in 2018 ● Emission concentration limit

H₂S Emission Rate



● Emission rate in 2018 ● Emission rate limit

Emission Concentration of Exhaust SO₂ from Processes



● Emission concentration in 2018 ● Emission concentration limit

Sulfur Emissions to the Atmosphere Per Unit Product



Note:

[1].SJJ (Phase II) implements the standards set forth in the *Plan for Comprehensive Implementation of Ultra-low Emission and Energy-saving Transformation of Coal-fired Power Plants*. The remaining viscose mills' exhaust emissions from boilers are all subject to the *Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2011)*. SFJ's SO₂ emission concentration is subject to the *Integrated Emission Standard of Air Pollutants (GB 16297-1996)*.

[2].In 2018, due to the implementation of its ultra-clean emission programme, Sateri's viscose mills significantly reduced emissions concentrations, emissions rate, and emissions per unit product of exhaust pollutants.

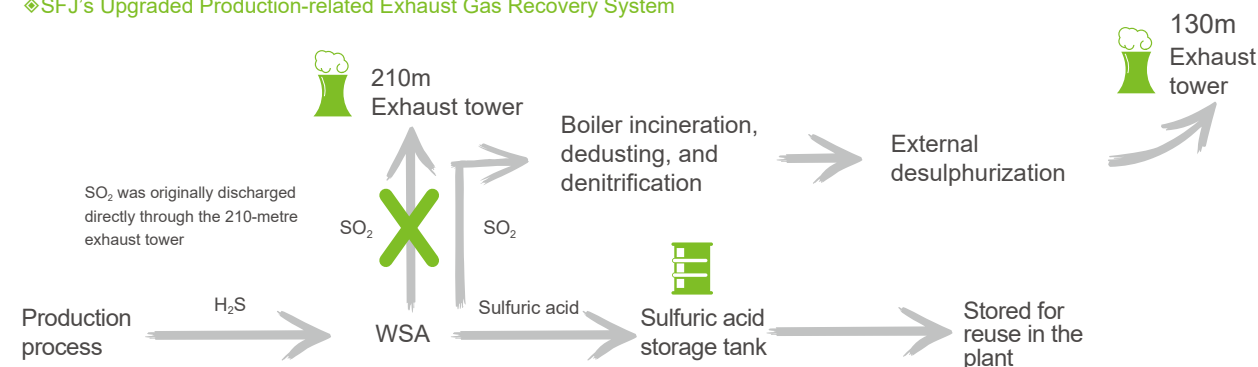
[3].SJX and SJJ have no production-related SO₂ emissions. In SFJ, waste gas from its WSA unit is the main source of production-related SO₂ emissions.

[4].Sulphur emissions per unit product released into the atmosphere were calculated according to the *Textiles - Regenerated Viscose - Evaluation Criteria for Sustainable Viscose Staple Fibre - Production Standards - Core Indicators and Calculation Methods*; the reference value of 12-20 kg per tonne was taken from the *European Commission's (2007) Reference Document on Best Available Techniques in the Production of Polymers*; the reference value of 18.9 kg per tonne was calculated based on a total sulphur recovery rate of 92% under the Level-I standard in the 2018 *Cleaner Production Assessment Index System of Regenerated Viscose Manufacturing Industry (Viscose Process)*.

Upgraded Recovery System for Production-related Exhaust Gas

SFJ adopts the WSA process which burns exhaust gases CS₂ and H₂S from its production lines to produce SO₂. The SO₂ is then converted into concentrated sulphuric acid products for reuse in the plant. The WSA process both saves on raw materials and produces a certain amount of SO₂ for reuse.

◆SFJ's Upgraded Production-related Exhaust Gas Recovery System



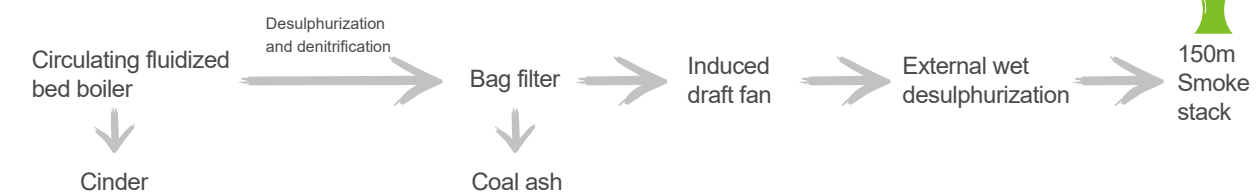
To address the exhaust gas emissions of the WSA process and minimise its impact on the surrounding environment, SFJ invested 1.80 million USD in 2018 to upgrade the treatment of its WSA gas recovery system. Following this transformation, instead of being discharged through the 210-metre exhaust tower, the WSA exhaust gas was treated through boiler incineration, dedusting, and denitrification as well as external desulphurization, with the result being a reduction in exhaust pollutant emissions.

“Ultra-clean Emissions” for Viscose Mill Power Plants

In 2018, each of Sateri's viscose mills implemented an ultra-clean emission programme to improve the level of exhaust pollutants emitted from Sateri-owned power plants. As a result of this programme, they have achieved, ahead of schedule, the goal of ultra-low emissions for coal-fired power plants as required by China's Ministry of Ecology and Environment, the National Development and Reform Commission and the National Energy Administration^[1].

As an example, SJJ installed a bag filter, an induced draft fan, and other flue gas treatment equipment during its Phase II boiler construction. After they were put into operation, the emissions of soot, SO₂ and NO_x were far below the required emission standards.

◆Process for Treatment of Flue Gas from Boiler of SJJ Power Plant



Notes:

[1].The *Plan for Comprehensive Implementation of Ultra-low Emission and Energy-saving Transformation of Coal-fired Power Plants* issued by the Ministry of Ecology and Environment, the National Development and Reform Commission and the National Energy Administration sets forth the requirement that “all coal-fired power plants nationwide which are qualified for modification should strive to achieve ultra-low emission by 2020”.

[2].The emission concentration limit was taken from the ultra-low emission limit in the *Plan for Comprehensive Implementation of Ultra-low Emission and Energy-saving Transformation of Coal-fired Power Plants*; the emission concentration of SJJ's Phase-II power plant was from the average online monitoring data during its operation in 2018 (from July to December).

Reduced Discharge of Wastewater Pollutants

In addition to meeting the relevant compliance requirements and discharge standards ^[1], Sateri's viscose mills raised the discharge standard for wastewater by reducing the discharge volume and concentration of production-related wastewater through water resource recycling, advanced wastewater treatment, and other measures.

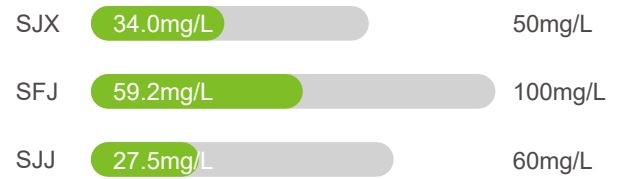


To meet the current discharge requirements^[2], SJX and SJJ implemented advanced wastewater treatment programmes, improved their capacity to treat wastewater pollutants, and significantly reduced the discharge concentration and volume of pollutants.



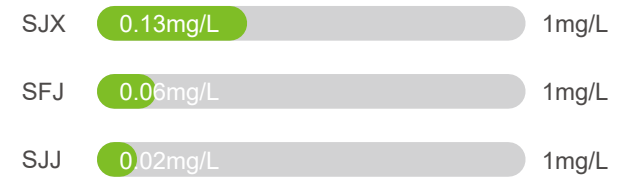
To further strengthen the control of wastewater pollutants, Sateri's viscose mills regularly monitor their wastewater discharges, and compare their results against European Commission's Best Available Techniques (EU-BAT) and other international standards.

COD Discharge Concentration



● Discharge concentration in 2018 ● Discharge concentration limit

Sulfide Discharge Concentration



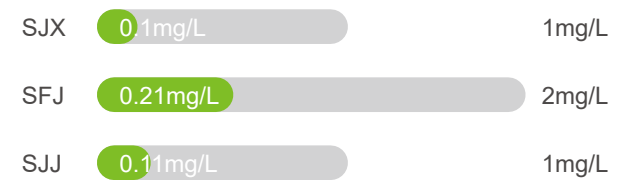
● Discharge concentration in 2018 ● Discharge concentration limit

NH₃-N Discharge Concentration



● Discharge concentration in 2018 ● Discharge concentration limit

Zn Discharge Concentration



● Discharge concentration in 2018 ● Discharge concentration limit

Notes:

[1].In 2018, the wastewater discharge concentrations from SJX and SJJ were respectively subject to the Level-I A and Level-I B standards of the *Discharge Standards of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002)*, while SFJ was subject to the Level-I standard of the *Integrated Wastewater Discharge Standards (GB8978-1996)*.

[2].In 2018, with the Level-I A standard of the *Discharge Standards of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002)* as their goal, SJX and SFJ implemented an advanced wastewater treatment programme and significantly lowered the discharge concentration and volume of wastewater pollutants, such as chemical oxygen demand (COD) and ammonia nitrogen (NH₃-N).

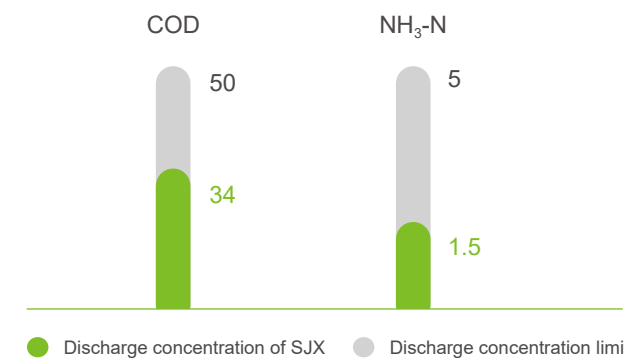
Advanced Wastewater Treatment Programmes

In 2018, SJX and SJJ implemented advanced wastewater treatment programmes to meet the requirements of a higher discharge standard. Prior to this programme being implemented, their production wastewater underwent physicochemical and biochemical treatment in wastewater treatment stations which allowed them to meet the Level-I standards set forth in the *Integrated Wastewater Discharge Standards (GB8978-1996)*. However, it remained highly difficult to remove wastewater pollutants which have limited biodegradability or are non-biodegradable.

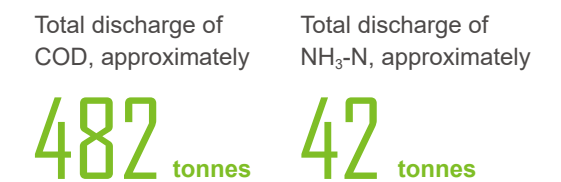
The advanced wastewater programmes were designed to meet the Level I-A standards of the government's *Discharge Standards of Pollutants for Municipal Wastewater Treatment Plant*. Taking into account the characteristics of wastewater discharged by the two mills and the requirements of the discharge standards, the programme primarily adopted an advanced oxidation process, a micro flocculation process, and an active sand filter process to remove substances that have limited biodegradability or are non-biodegradable. This substantially reduced the discharge concentration and total wastewater pollutant volume of SJX and SJJ, and ensured that their wastewater consistently meet the regulatory requirements.

Discharge Concentration of Wastewater Pollutants from SJX in 2018^[2]

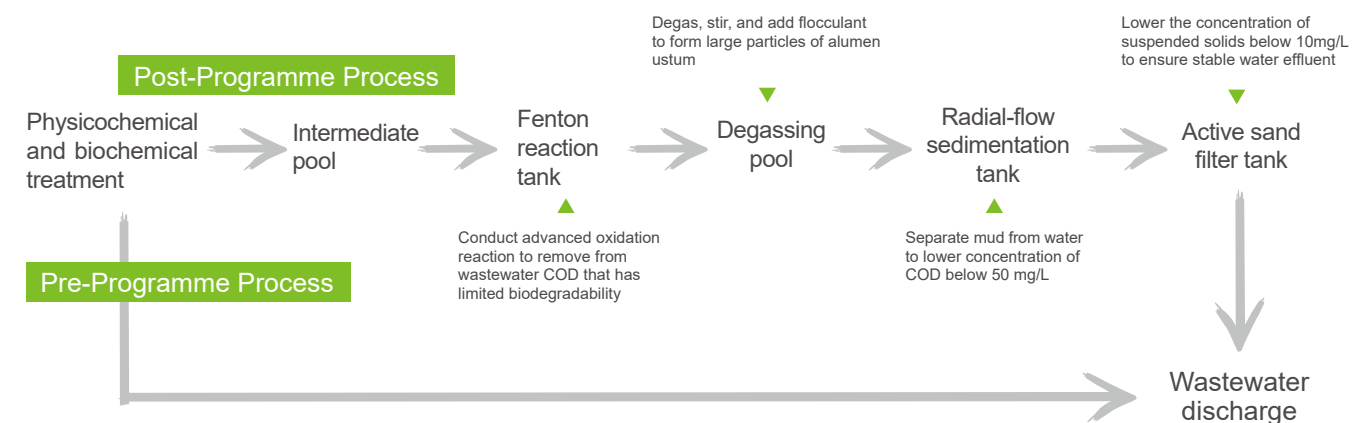
Unit: mg/L



As an example, SJX estimated ^[1] that after implementation of the advanced wastewater treatment, it could reduce its total annual discharge of



Process for SJX's Advanced Wastewater Treatment



Notes:

[1].This estimation was made based on the assumption that after the advanced wastewater treatment process was implemented, the discharge concentration of wastewater pollutants would drop from the discharge concentration limit under the Level-I standard of the *Integrated Wastewater Discharge Standards (GB8978-1996)* to being under the Level-I A standard of the *Discharge Standards of Pollutants for Municipal Wastewater Treatment Plant*.

[2].The discharge concentration limit was from the Level-I A standard of the *Discharge Standards of Pollutants for Municipal Wastewater Treatment Plant*, while the discharge concentration of SJX was from the average online monitoring data.



Chemical Management

(GRI 403-5)

Major brands and retailers in the textile and fashion industries are calling for an industry-wide goal of zero discharge of hazardous chemicals by 2020 to alleviate their impact on the environment and human health.

- In 2018, Sateri became a member of ZDHC with the goal of achieving zero discharges of hazardous chemicals.
- Sateri has established a set of robust chemical management rules which cover the procurement, transportation, usage, storage, and waste management of chemicals.
- For hazardous chemicals and other materials, Sateri's viscose mills developed and use Material Safety Data Sheets (MSDS) which state their production purposes, warning signs for their operational sites, and associated safety cards.
- Sateri regularly conducts major hazardous source identification exercise, safe operation training and established emergency measures for chemical leaks or spills
- By implementing the Continuous Improvement Programme, Sateri has reduced the use of hazardous chemicals, including H_2SO_4 , $NaOH$, and CS_2 .



423

Employee participation in emergency drill training for chemicals leaks at viscose mills in 2018



Total sulphur recovery rates by mill, 2017 vs 2018

SJX: 94.1%	→	95.9%
SFJ: 98.7%	→	98.9%
SJJ: 94.3%	→	98.8%

Enhanced Management of Hazardous Chemicals

According to the *Identification of Major Hazard Installations for Hazardous Chemicals (GB18218-2009)*, an installation is considered a major hazard installation if the quantity of hazardous chemicals within the installation is equal to or exceeds the specified quantity thresholds of the designated hazardous chemicals. Sateri regularly inspects each of its viscose mills to properly identify major hazard installations in order to improve its ability to manage the safety of its mills and help prevent safety accidents involving the major hazard installations.

Safety Assessment of SJX's Major Hazard Installations for Hazardous Chemicals

In 2018, SJX engaged a third-party agency to assess the safety of its major hazard installations for hazardous chemicals. According to the assessment, SJX's safety management practises and related safety control facilities for its major hazard installations all met the requirements of China's relevant laws and regulations governing production safety. SJX replaced or repaired equipment susceptible to safety hazards identified during the assessment, including onsite emergency rescue devices which were damaged. By end 2018, SJX had already fully rectified all identified safety hazards.

Reduced Use of Chemicals

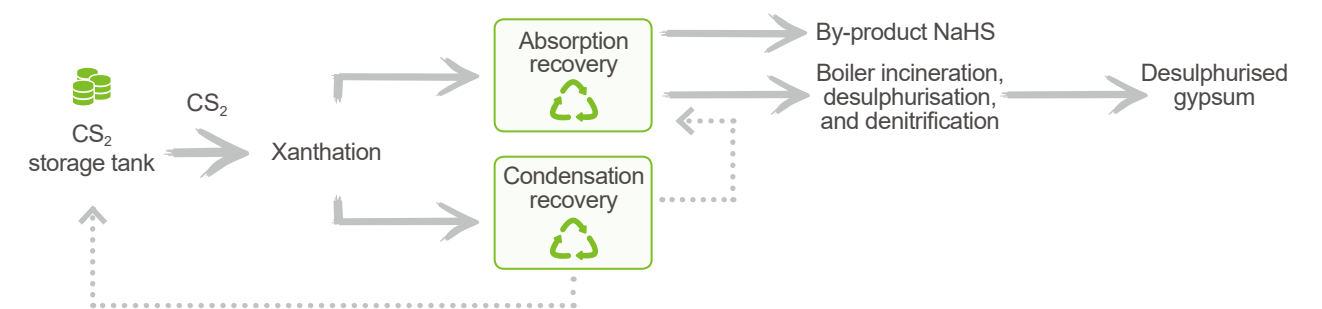
By exploring ways to reduce material demands in each production phase, Sateri reduced the use of chemicals in its operations, further limiting their negative impact on human health and the environment.

Consistently Increasing the Total Sulphur Recovery Rate

Each of Sateri's viscose mills set annual targets to reduce their CS_2 consumption per tonne of viscose staple fibre produced. The mills also actively identify segments of the production process whose CS_2 usage or recovery levels could be improved. This effort has resulted in both a decrease in CS_2 usage and higher recovery rates.

In 2018, the respective total sulphur recovery rates for SJX, SFJ and SJJ were above the Class I requirements set out in the *Cleaner Production Assessment Indicator System of Regenerated Viscose Manufacturing Industry (Viscose Process)*, as well as the level of polymer production set out in EU's Best Available Techniques (BAT).

◆Diagram of CS_2 Recovery (Excluding the WSA Process)



Primary measures:



Xanthation: reduce CS₂ consumption

- Improve the performance of the xanthation frame and plate, thereby reducing the amount of CS₂ to be added

Absorption recovery: Increase CS₂ recovery volume

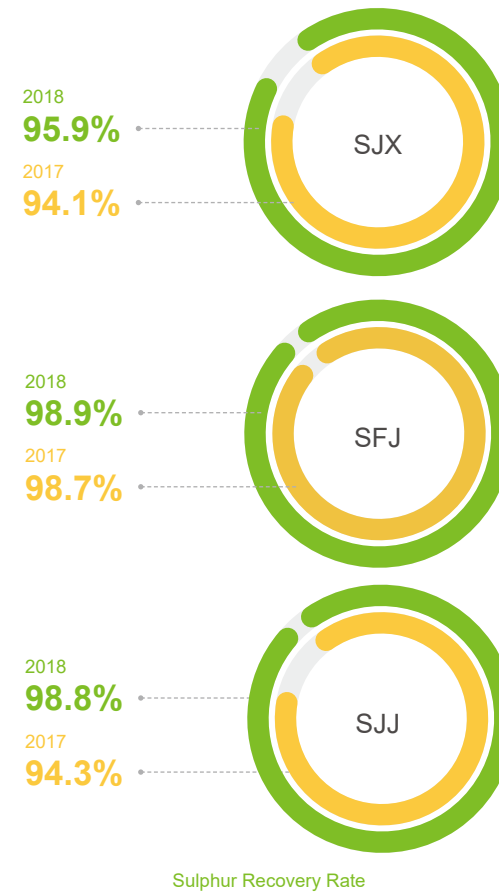
- Switch to an activated carbon with higher adsorption properties, such as a coconut shell-based activated carbon
- Improve the drying effect of absorption troughs

Condensation recovery: Increase CS₂ recovery volume

- Regularly check the sealing of machines to mitigate any decline in the recovery rate resulting from air ingress

According to the 2018 Sustainability Report of the Collaboration for Sustainable Development of Viscose (CV), the viscose mills of its producer members reported an average total sulphur recovery rate of 87%. Sateri's average sulphur recovery rate for SFJ, SJX and SJJ is above 95%, with **SFJ boasting the highest total sulphur recovery rate at**

98.9%



Emergency Drills for Chemical Spills or Leaks

Emergency drills for chemical spills or leaks are intended to train staff to timely and effectively control and eliminate the harm of such incidents, minimise personal injuries, property damage, and environmental pollution should they occur. In 2018, to help ensure production safety and the prevention of safety incidents, each of Sateri's viscose mills conducted emergency drills which helped employees develop their ability to act under the initial stages of such an emergency. Steps included sounding alarms, setting up a surrounding alert zone and evacuating personnel.

In 2018, there was no occurrence of chemical leaks at any of Sateri's viscose mills.



423

employees from the viscose mills participated in emergency drills for chemical leaks in 2018



35%

increase over 2017 in employee participation of emergency drills in 2018





Occupational Health & Safety

(GRI 403-2 and 403-3)

In recent years, major “chemical safety” accidents have created deep concerns from governments, media, NGOs, and the public. Most of these accidents were caused by unsafe human actions and serve as a strong warning to firms involved in high-risk production activities.



System Development: Sateri’s viscose mills have established sound management systems and comprehensive management rules to help ensure high levels of occupational health and safety. These systems cover production process safety, emergency response and preparedness for safety incidents, and occupational hazard monitoring and prevention, among other health and safety areas.



Performance of Responsibilities: Sateri’s mills have in place an Environment, Health and Safety (EHS) accountability framework and an EHS committee. EHS committee members include people from senior management, department managers, and general staff. They are responsible for collectively reviewing issues related to occupational health and safety.



Occupational Health and Safety Certifications: SJX, SJJ Phase-I and SFJ have all obtained the safety production standardization certification and the OHSAS 18001 certification.



Daily Management: put in place a safety culture that regularly conducts emergency drills, and inspects potential safety hazards.

Lost Time Injury Frequency Rate per 200,000 Hours Worked at mill level^[1 2]



Target by 2020: 0.29

Employee health-check coverage for occupational diseases in 2018

100%

Work-related deaths^[3]

1

Note:

[1]. Statistics for the lost time injury frequency rate (LTIFR) per 200,000 work hours were adjusted to include full-time and part-time employees, excluding contractors. Therefore, the annual data for 2016 and 2017 presented here differs from that of the Sateri Sustainability Report 2017.

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

[3]. In 2018, an employee of SJJ was accidentally injured during mechanical operation and was taken to a local hospital for treatment. One month later, the employee died of multiple organ dysfunction syndrome. According to the International Labour Organisation (ILO), deaths of employees within one year after the occurrence of an occupational accident are all defined as work-related deaths. After the incident, SJJ adopted a series of rectification measures, including installing protective devices, implementing further assessments of the skills and knowledge of mechanical operators, and increasing inspections for operational violations. By the end of the reporting period, these rectification measures had all been fully implemented.

In 2018, all mills took actions to strengthen the management of its employee occupational health, with primary measure including:



- Detecting occupational hazards in the workplace;
- Hosting awareness campaign events on the *Law of the People’s Republic of China on the Prevention of Occupational Diseases*;
- During the warmer seasons, distributing heatstroke prevention medicine and organising training on how to prevent and treat heatstroke with first-aid treatment;
- Providing training to employees exposed to occupational hazards.

Sateri regularly conducts safety hazard inspections and safety acceptance checks of new projects to ensure safety is always prioritised. In 2018, Sateri’s viscose mills and Linz Nanjing rectified 100% of their identified safety hazards, while 100% of their employees also received safety education and training.

In addition, Sateri conducted simulated accident and fire emergency training at each of its viscose mills to improve employees’ emergency responsiveness and help them be prepared to respond to and handle emergencies.



Employees Participating in a Fire Emergency Drill

Safety culture is an important part of Sateri’s occupational health and safety management. In 2018, all of Sateri’s viscose mills organised sharing sessions for employees to learn about and share views on unsafe actions in the workplace so as to timely identify existing safety issues and increase their safety awareness. In addition, viscose mills held additional activities to promote their safety culture, including safety knowledge contests, nominating outstanding departments and individuals in safety practises, and inviting external specialists to give safety training to their employees.

Employees who suffered from occupational diseases at mill level

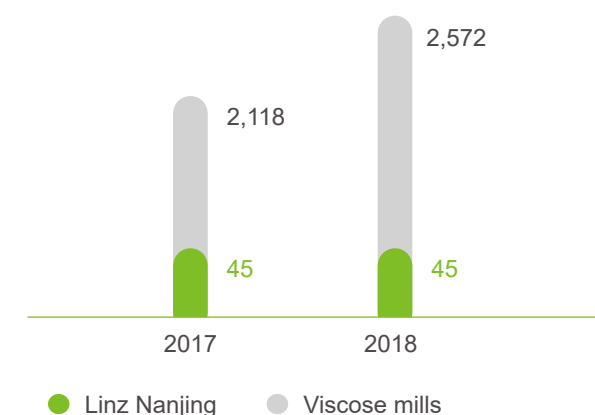
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Employee health-check coverage for occupational diseases

100%

Employee Participation in Fire Emergency Drills

Number of Participants



Production Safety Month Event at SJX



Empowering Employee Development

(GRI 404-1 and 404-2)

Talents are a main driving force for the development of a firm. As employees expect continuous learning and career advancement opportunities that align with their personal development goals, a structured training and development programme can benefit both the employees and the company.



Sateri has established the Sateri Learning Institute to design and coordinate overall training plans for the employees at mill level.



Sateri has developed the *Training Management System, the Internal Training Management System*, and other related training systems for employees, which standardise training sessions and optimise training procedures for better results.



Sateri develops annual training plans to provide diverse training activities for different types of employees.



Average training hours per employee at mill level

16%

increase from 2017



Percentage of employees receiving training at mill level

100%



Total investment on employee training at mill level

352,930 USD



Total hours of training attended by employees at mill level

239,900+ hours

Sateri established the Sateri Learning Institute ("SLI") in 2017 to design and coordinate training plans for all of its employees at mill level. According to SLI's plan, Sateri intends to develop the institute into a learning centre within five years which will lead the development of industry's professionals and continuously help Sateri develop future talents.

In 2018, SLI offered diverse training events focused on three key qualities of its employees: attitude, knowledge and skills. The events' topics included new employee orientation training, specialised trainings, leadership training, trainer development, and corporate culture training. Collectively these training programmes sought to accelerate the cultivation of highly skilled personnel and motivate employees.



SLI's Mission

Through systematic learning and development, employees can increase their individual value, create business value, contribute to corporate value, and expand industry's value.



Learning Principles

- Learning creates value
- Students should seek to become the master
- Professionalism

Overview of Select Training Programmes from 2018

Orientation Training

- Improving the comprehensive abilities of new fibre professionals through an orientation training camp and apprenticeship programme focused on the fibre industry

Specialised Training

- Diverse training on specialised topics including the Six Sigma Green Belt, lean production and improvement, the environment, safety, finance, sourcing, and more
- The DLP programme (D-Driving; L- License; P-Process) helps department managers assess and identify employee deficiencies in job skills and safety knowledge

Leadership Training

- Training camps for Management Training, Excellence in Leadership, and the programme "To Be Sateri Eagle!"

Trainer Development

- Training to become an internal trainer, with 34 departmental staff receiving internal trainer qualification certificates

Corporate Culture Training

- The BPA programme helps employees become familiar with and practise the core values and code of conduct of the RGE group.

To Be Sateri Eagle!

"To Be Sateri Eagle!" is designed to develop key management staff by comprehensively improving their leadership skills, professional competencies, and understanding of Sateri's corporate culture. The training programme adopts a wide range of learning methods including lectures, case study discussions and analysis, interactive games, study tours, and individual assessments. In 2018, the inaugural training programme provided training for 22 participants, helping them apply what they have learned to facilitate the development of Sateri's personnel.

With their unique characteristics, eagles are considered a symbol of "strength, valour, and victory" and are also, "farsighted, determined, ambitious, with broad horizons." Sateri Eagles represent the cultural identity inherited from the Sateri's parent company, the RGE group.



Contributing to Social Prosperity

(GRI 203-1, 203-2, and 413-1)

Sateri is a values-driven company that advocates doing good for Community, Country, Climate, Customer and Company. On this basis, Sateri facilitates a diverse range of CSR and community development programmes to drive impact through education, empowerment and enhancement of quality of life.



Sateri is committed to build harmonious relationships with surrounding communities, understand their demands through open communications and direct interactions, and work to help resolve their problems.



In line with Sateri's goal to do good for the Community, it has organised public activities themed on environmental protection, student financial aid, poverty alleviation and disaster relief.



Sateri has established a volunteer association to organise its employees to participate in volunteer activities, which help strengthen its commitment to public welfare.



Total volunteer hours by employees:

from 2017

3,746 hours 27% up



A total amount of

121,800 USD

was invested in nearby communities as part of public welfare events, including the "Book Donation Drive", "One Mind, One Action", "Filial Piety Culture Festival", and "Caring for Migratory Birds" events



Sateri Public Welfare Accolades

- Awarded the "Annual Charity Practice Award" at the China Charity Festival
- Honoured as one of the "Caring Companies" at China's Third Student Financial Support Event, entitled "Igniting Small Wishes to Achieve Big Dreams"
- In 2019, Sateri's brand EcoCosy® was ranked among the "Top 60 Responsible Brands of Chinese Corporate Citizens"

As a company Sateri has helped to advance the socio-economic development of the regions where it has presence. The challenge is to ensure this development is inclusive and sustainable.

Sateri works to ensure its investment priorities reflect the needs of its surrounding communities and has identified focus areas where it can help make a sustainable difference to their lives: environmental protection, education, poverty alleviation and disaster relief.

Jointly Creating a Harmonious Ecological Environment

As part of the 5Cs business principle, Sateri seeks to do good for the Climate via programmes and initiatives in partnership with its employees and local communities.

One programme is the bird-feeding activity for migrant birds on the East Lake in Jiujiang, Jiangxi Province. Around 35 volunteer employees provide food for the birds as well as engage local residents via poster campaigns that increase awareness.

Sateri has also worked with the Jiujiang Volunteers Federation and other organisations to initiate a charity drive to raise funds for the protection of the endangered Yangtze river dolphins. Volunteer employees from Sateri also appealed to the public to protect Yangtze River dolphins and the Yangtze River.

Helping Students Achieve Their Dreams

In 2018, SFJ held its third "Book Donation Drive" event to donate books to 16 Sateri libraries located in primary schools in surrounding communities. SFJ also worked with the Beian Education Bureau to encourage students and families to read more through parent-child reading activities, reading contests, and other events. This annual event continues to help build up Beian's teaching and reading resources in its rural primary schools.

Sateri's viscose mills also continued to donate goods and materials to schools and students in need through themed charity events such as "Love Bookcases", "Exchange of Good Books for Quality Wet Wipes", and "Showing Love to Students".



The Xunyang Evening News reported the migrant bird protection event on its front page



Photo of Sateri's third "Book Donation Drive" event





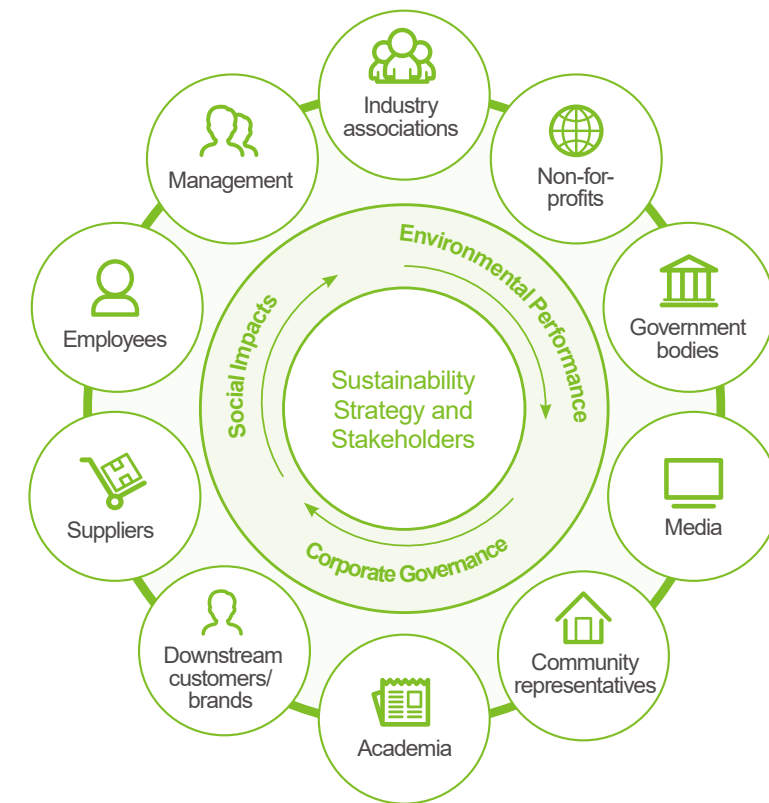
SATERI SUSTAINABILITY MANAGEMENT AND PERFORMANCE

Sustainability Management Strategy

(GRI 102-5,102-15,102-16)

Sateri believes that the continual success of its business requires delivering meaningful value to society. This commitment is reinforced by our *Sustainability Policy* and the *Pulp Sourcing Policy*.

In 2019, Sateri will review its sustainability strategy, using the Sustainable Development Goals (SDGs) framework as a universal approach to evaluate Sateri's efforts as well as identify and determine ways to improve value delivery.



Environmental Performance

- Reduce the ecological footprint caused by sourcing, production and transportation.
- Collaborate with suppliers, associations, non-profit organisations, and government agencies to promote responsible sourcing, energy conservation, emission reduction, and product stewardship.
- Improve the industry's barriers to entry and ecological performance to ensure consumers are provided with products that are safe, traceable and have a low-ecological impact.

Social Impacts

- Sateri is committed to employee health and safety, community safety and the protection of employee rights.
- Create shared economic and social benefits for employees and communities through innovative public welfare programmes, and thereby achieve win-win results of economic benefits and societal value.
- Focus on building relationships with the surrounding communities by providing volunteer services and events which support the community and empower employees.

Corporate Governance

- As part of its efforts to continue to improve the company's transparency and public trust, Sateri sets high standards in areas of business ethics, compliance management, reporting and information disclosures.
- Establish a comprehensive set of communication channels to ensure effective coordination is achieved between all stakeholders including management personnel, employees, suppliers, customers, government agencies and the public.

Sustainability Management Structure

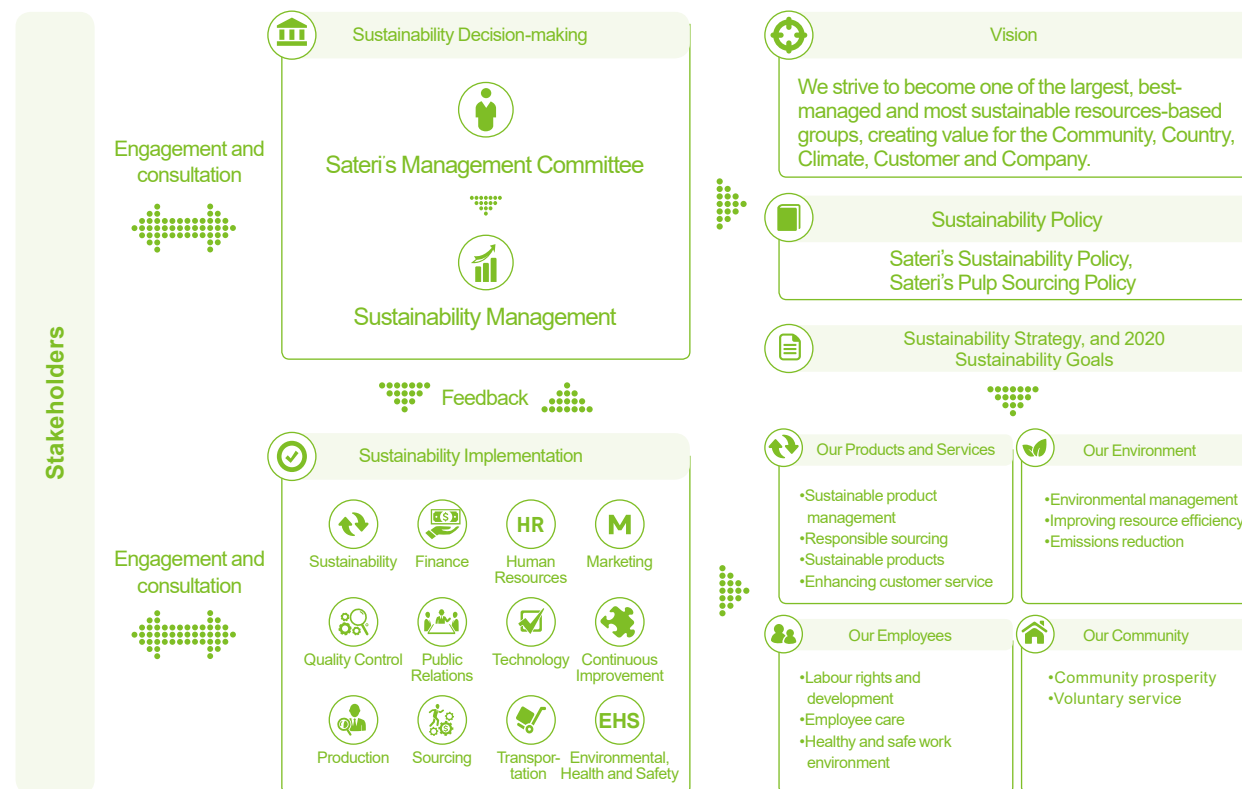
(GRI 102-18, 102-19, 102-20, 102-21, 102-26, 102-29, 102-32, 102-33)

Sateri has a sustainability department with senior management and professional managers. The department is responsible for:

- Identifying material issues and key stakeholders
- Establishing and implementing sustainable development strategies, goals and action plans
- Identifying, assessing and managing the impact of company operations on sustainability issues (including the impact on the economy, environment and society)

Sateri's Sustainability Department reports to Sateri's Management Committee on the progress of sustainability projects, including challenges, opportunities and major issues. The Management Committee reviews major sustainability issues regularly, including but not limited to: goals, challenges and opportunities, performance and improvement, information disclosures and related certifications.

◆Sateri's Sustainability Governance Framework



Stakeholder Communications and Responses

(GRI 102-40, GRI 102-43, 102-46, 102-47, 102-49)

In 2018 Sateri continued to build partnerships of mutual trust and support with various stakeholder groups through dialogue, exchanges and feedback. The table below lists the various stakeholder groups, their respective material issues, and related key communication and response measures / channels.

Stakeholder Group	Stakeholder Representative	Priority Issues or Concerns	Communication and Response Measures / Channels
Government Agencies	<ul style="list-style-type: none"> • Local government regulatory authorities (e.g. environmental protection and safety related agencies) • Central government 	<ul style="list-style-type: none"> • Community engagement • Product quality and safety • Wastewater management • Waste gas management 	<ul style="list-style-type: none"> • Supervised environmental and safety audits and management • Pollutant emission data disclosures • Participate in setting industry standards
Management	<ul style="list-style-type: none"> • RGE Group and Sateri Senior Management • Department Managers 	<ul style="list-style-type: none"> • Risk and compliance management • Sustainable product innovations • Stakeholder communications • Climate change • Responsible sourcing 	<ul style="list-style-type: none"> • Work meetings, training and team-building activities • Company website, corporate publications • Email, phone and social media platforms such as WeChat
Staff	<ul style="list-style-type: none"> • Mill and office employees and contract employees 	<ul style="list-style-type: none"> • Employment and employee development • Occupational health and safety • Chemical use and recycling 	<ul style="list-style-type: none"> • Work meetings, training • Staff representative activities, team-building activities • Company website, corporate publications • Email, phone and social media platforms such as WeChat • Various recruitment activities
Supplier and related Contractors	<ul style="list-style-type: none"> • Wood pulp suppliers such as Bracell • Other suppliers 	<ul style="list-style-type: none"> • Risk and compliance management • Responsible sourcing and traceability 	<ul style="list-style-type: none"> • Review and evaluations, onsite inspections of supplier's Chain of Custody • Regular communication by email and phone • Product exhibitions and industry seminars
Downstream Partners	<ul style="list-style-type: none"> • Yarn and fabric companies • Fast-moving consumer good brands, luxury brands and designer brands 	<ul style="list-style-type: none"> • Sustainable product innovations • Product quality and product safety • Value chain cooperation 	<ul style="list-style-type: none"> • Technical communications and R&D cooperation, customer satisfaction surveys • Product exhibitions and industry seminars
Non-Profit Organisations and Multi-Stakeholder Organisations/ Initiatives	<ul style="list-style-type: none"> • Domestic non-profit organizations such as the Institute of Public & Environmental Affairs (IPE) • International non-profit organisations such as Canopy, Changing Markets Foundation, OEKO-TEX® Association, Textile Exchange, ZDHC, etc. 	<ul style="list-style-type: none"> • Stakeholder communications and cooperation • Chemical use and recycling • Climate change and carbon emissions • Responsible sourcing and traceability 	<ul style="list-style-type: none"> • Industry surveys and research reports • Disclosure of mill operations data, including emissions • Review and evaluation of Chain of Custody (COC) • Sustainability report
Industry Associations	<ul style="list-style-type: none"> • China Chemical Fibres Association • China Cotton Textile Association • China National Textile and Apparel Council (CNTAC) 	<ul style="list-style-type: none"> • Stakeholder communications and cooperation • Value chain cooperation • Responsible sourcing and traceability 	<ul style="list-style-type: none"> • Product exhibitions and industry seminars • Collaboration for the Sustainable Development of Viscose (CV)
Media	<ul style="list-style-type: none"> • International media organisations such as The Economist • National media organisations such as China Textile News and China Environmental News • Local media agencies 	<ul style="list-style-type: none"> • Community engagement • Transparency • Chemical use and recycling 	<ul style="list-style-type: none"> • Media interviews and reports, and industry events • Factory visits, pollutant discharge data disclosures • Product exhibitions

Stakeholder Group	Stakeholder Representative	Priority Issues or Concerns	Communication and Response Measures / Channels
Surrounding community members	<ul style="list-style-type: none">Residents in the vicinity of Sateri’s operations	<ul style="list-style-type: none">Waste gas managementWastewater managementCommunity engagement	<ul style="list-style-type: none">Community visitsPublic Open DayEmail for complaints and feedbackCommunity activities and daily communications
Academic and research institutions	<ul style="list-style-type: none">Donghua UniversityAcademic research institutions such as China Textile Research Institute	<ul style="list-style-type: none">Sustainability product innovationsEnergy and resource managementResponsible sourcing and traceability	<ul style="list-style-type: none">Collaborative R&D mechanisms, joint talent development strategyAcademic and industry research reports

Analysis and Boundaries of Material Topics

In 2018, Sateri reevaluated its analysis of priority issues against those of 2017 and made the following changes:

01	02	03
Focus on issues that are most relevant to current industry trends and stakeholder concerns. Add new issues such as climate change and carbon management, value chain cooperation, etc.	Redefine some key terms, e.g. replace “chemical management” with “chemical use and recycling”, replace “employee rights” and “employee training and development” with a combined the term “employee employment and training”, etc.	Simplify the material issues from 23 items into 16 items and focus on the demands of stakeholders and Sateri’s sustainable development.

The 2018 Sateri material issues, descriptions and boundaries are presented in the table below:

Material Issues and Descriptions	
High-level Material Issues	
Sustainability Product Innovations	Through product innovations and optimisation, Sateri aims to meet the demands of direct customers and value chain partners (such as fabric, garment and brands owners) for differentiated fibre products, while simultaneously seeking to reduce any negative environmental impacts.
Occupational Health and Safety	During production activities, employees, contractors and visitors may face potential occupational health and safety issues. Safety is a material issue for government agencies, non-profit organisations and brand owners.
Chemical Use and Recycling	The chemicals used and contained in Sateri products may affect direct customers and other related parties in the value chain.
Climate Change and Carbon Emissions	Through the Sateri’s production process, the use of coal and diesel fuels, and the consumption of other raw materials, emits greenhouse gases. This is a material issue for non-profit organisations, multi-stakeholder organisations, the media and brand owners.

Energy and Resource Management	Sateri's operations involve the consumption of energy and water resources which impact the local environment. Energy consumption is closely related with greenhouse gas emissions.
Community Engagement	Sateri organises community engagement activities and provides volunteer services to help address social issues in communities. This is a material issue for stakeholders such as government agencies, community residents, and the media.
Responsible Sourcing and Traceability	Supplier behaviours (including those of dissolving wood pulp and chemicals) which affect the environment, employees, and communities will affect the management of Sateri. Responsible sourcing requires traceability as a first step. This issue is a material issue for non-profit organisations.
Waste Gas Management	Sateri viscose mills produce waste gases during the manufacturing process, impacting the local environment and community. This is a material issue for government agencies, non-profit organisations, multi-stakeholder organisations/initiatives and community members.
Wastewater Management	Sateri viscose mills produce wastewater during the manufacturing process, impacting the local environment and community. This is a material issue to government agencies, non-profit organisations, multi-stakeholder organisations/initiatives, media and brands.
Employee Employment and Development	Sateri's HR management focuses on the interests of Sateri employees and contract employees, as well as the relationship between talent development and corporate reputation and vitality.
Medium-level Material Issues	
Product Quality and Safety	The quality and safety of Sateri’s fibre products are priority issues for consumers and brand owners. Sateri strives to improve the product quality to meet the demands of downstream partners while ensuring product safety for users.
Stakeholder Communications and Cooperation	Sateri actively communicates and cooperates with external stakeholders, including non-profit organisations, industry associations and research institutions, to understand and address their respective priority issues, as well as to promote the sustainable development of the industry.
Waste Management	Sateri's viscose mills produce general waste and hazardous waste during the manufacturing process, impacting the local soil and groundwater environment. This is a material issue for government agencies, multi-stakeholder organisations/initiatives and brand owners.
Compliance and Risk Management	Sateri's operations face various risks related to environmental management, social impact and corporate governance. Complying with regulations is integral to Sateri’s normal operations and business activities. The company must also cooperate with suppliers, direct customers, government agencies and non-profit organisations.
Value Chain Cooperation	Sateri actively collaborates with partners in the value chain (including downstream yarn, fabric, and nonwoven product firms, as well as brand owners and designers) to improve the sustainability performance of all the value chain segments, as well as to spread the concept of sustainable consumption.
Transparency	Sateri employs various mechanisms to manage communications, decision-making and information disclosures, including factory activities, issuing reports, offering channels for complaints, and attending industrial meetings. This is a material issue to stakeholders such as upstream and downstream partners, non-profit organisations and multi-stakeholder organisations.

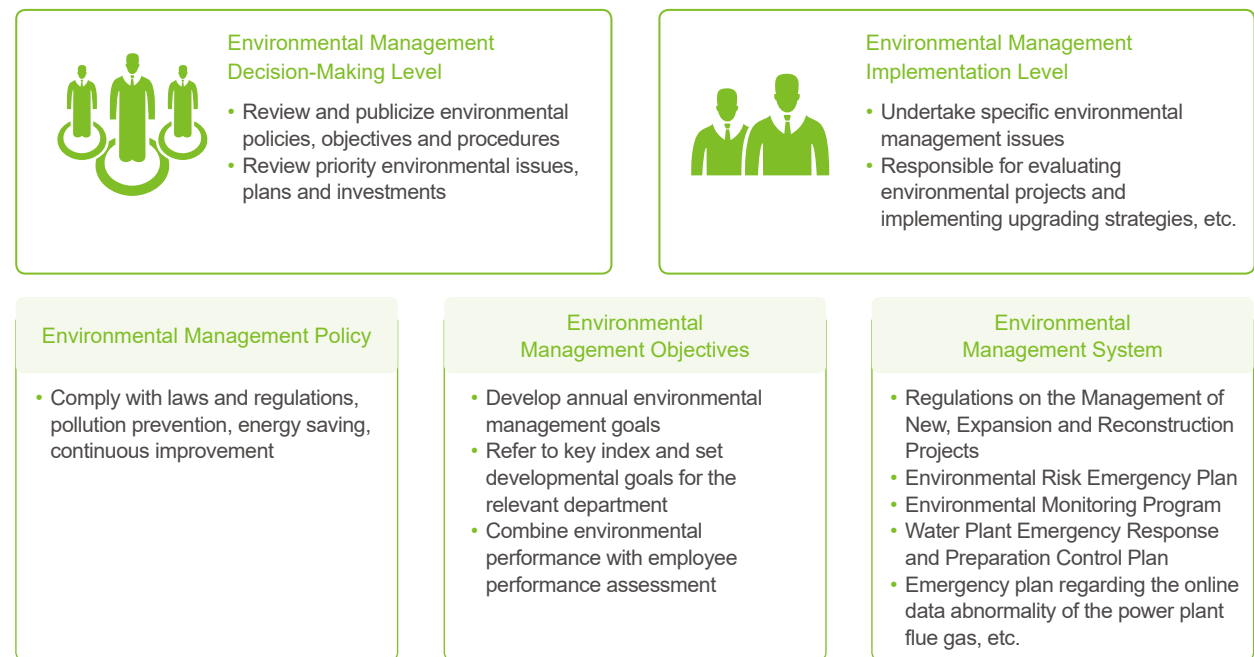
Environmental Management

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

Sateri has established an environmental management system and formed an Environmental, Health and Safety (EHS) Management Committee. The EHS Management Committee is composed of factory managers, EHS management departments and related departmental representatives responsible for environmental matters. The EHS Management Committee is responsible for systematically managing environmental issues and holding regular meetings to review related issues such as pollutant discharges, pollutant monitoring and internal auditing results.

In 2018, Sateri had 49 full-time EHS employees, representing an increase of 20 employees compared with 2017. Sateri's total annual investment on environmental protection initiatives reached 22,409,750 USD.

◆Sateri's Environmental Management System



◆Key Performance Indices for Wastewater Management of Viscose Mills

Index	Unit	2016	2017	2018
Total Industrial Wastewater Discharge	ten thousand m ³	2,815	3,163	3,848
Total COD Discharge	tonne	1,952	2,959	1,511
Total NH ₃ -N Discharge	tonne	104	99	64
Wastewater Discharge Per Unit Product	m ³ / tonne of product	50.6	50.8	49.3
COD Discharge Per Unit Product	kg / tonne of product	3.51	3.03	1.94
NH ₃ -N Discharge Per Unit Product	kg / tonne of product	0.19	0.16	0.08

Air emissions (GRI 305-7)

The air emissions generated by Sateri viscose mills is primarily from the flue gas of the power plant's coal-fired boilers and production processes. Main pollutants include carbon disulphide (CS₂), hydrogen sulphide (H₂S), sulphur dioxide (SO₂) nitrogen oxide (NO_x), and soot. Due to the difference in the manufacturing processes and equipment used, the main waste gas pollutant from Linz Nanjing is dust from its plant.

SJX and SJJ emit no SO₂. SFJ's emission of SO₂ mainly comes from its WSA plant air emissions. In 2016, the WSA plant was under maintenance for a period of time and in 2017, it was put back into routine operations. Consequently, there was a significant increase of SO₂ emissions for SFJ in 2017 compared with 2016.

In 2018, Sateri's viscose mills implemented ultra-clean emission projects which significantly reduced emissions of waste gas pollutants, emission rates and emission per unit product. At the same time, the SFJ mill developed and renovated its WSA waste gas emission treatment equipment, greatly reducing the air emission of SO₂ compared with 2017. (see the "Reducing the Impact of Pollutant Emission" section for more details).

◆Key Performance Indices for Air Emissions Management of Viscose Mills

Index	Unit	2016	2017	2018
SO ₂ emissions from power plant boiler exhaust	tonne	541	467	278
SO ₂ emissions from fibre plant processes	tonne	100	285	49
Total amount of SO ₂ emissions	tonne	641	752	327
NO _x emissions from viscose mills	tonne	587	659	524
CS ₂ emissions from viscose mills	tonne	260	265	258
H ₂ S emissions from viscose mills	tonne	97	84	82
SO ₂ emissions per unit product	kg / tonne of product	1.15	1.21	0.42
NO _x emissions per unit product	kg / tonne of product	1.10	1.06	0.67
CS ₂ emissions per unit product	kg / tonne of product	0.47	0.43	0.33
H ₂ S emissions per unit product	kg / tonne of product	0.17	0.14	0.10

Note:

[1].The emission data in the above table of SO₂, NO_x, CS₂ and H₂S are all derived from the organized emission data of air emissions from Sateri viscose mills.

Greenhouse Gas (GRI 305-1, 305-2, 305-4)

Sateri viscose mills conduct regular annual GHG emissions verification for their power plants in line with the *Guidelines for Accounting and Reporting Greenhouse Gas Emission China Electricity Grid Enterprises (Trial Implementation)*.

Similarly, SFJ also conducts GHG emission accounting for its viscose mill according to the *Guidelines for Accounting and Reporting Greenhouse Gas Emission of Other Industrial Enterprises (Trial Implementation)*.

◆Key Performance Indices for Greenhouse Gas Management of Viscose Mills

Index	Unit	2016	2017	2018 ^[3]
Scope 1 GHG Emissions ^[1]	tonnes of CO ₂ equivalent	1,564,543	1,695,778	2,519,119
Scope 2 GHG Emissions ^[2]	tonnes of CO ₂ equivalent	43,962	47,650	70,785

Notes:

[1].The Scope 1 GHG Emissions for 2016 and 2017 only include GHG emissions from Sateri's power plants while its data for 2018 includes GHG emissions from both Sateri mills and the Shanghai office. According to the data in 2018, the GHG emissions from Sateri's own operated power plants accounted for more than 99% of the Scope 1 GHG Emissions.

[2].The Scope 2 GHG Emissions include both data from Sateri viscose mills and the Shanghai office, with the 2016 and 2017 values being estimated based on average industry emission levels.

[3].In 2018, SJX and SJJ conducted GHG emissions accounting using the high counting limit of China National ETS Helpdesk. At the same time, the production line of SJJ Phase II came online, resulting in an increase of power and heating consumption and corresponding growth of GHG emissions in 2018 compared with 2017.

In 2018, Sateri calculated 15 kinds of Scope 3 GHG Emissions in accordance with the GHG Protocol's Enterprise Value Chain (Scope 3) Accounting and Reporting Standards. Taking the Scope 3 Greenhouse gas emissions generated by the end-of-life treatment of sold products as an example, based on the actual GHG emissions after the complete degradation testing per unit product and the total output of the 2018 products, GHG emissions from Sateri's product complete degradation in 2018 was 1,076,378 tonnes of CO₂ equivalent, so as to estimate the GHG emissions of end-of-life treatment of sold products.

Solid Waste (GRI 306-2, 306-4)

Sateri viscose mills collectively formulated the "Production Waste Management Regulations" and the "Waste Label Management Regulations" to manage and supervise the production, collection, labelling, recording, storage, transportation, transfer and disposal of solid waste.

In 2018, Sateri viscose mills produced 285,696 tonnes of general solid waste and 479 tonnes of hazardous solid waste; Linz Nanjing produced 28.6 tonnes of general solid waste and 0.1 tonnes of hazardous solid waste.

◆Sateri Waste Classification and Management Measures

Name	Main Categories	Measures
General solid waste	includes coal ash, coal slag, desulphurised gypsum, pulp packaging paper, packaging wire and domestic garbage, etc.	Internal recycling at viscose mills; externally sold to specific companies for comprehensive recycling
Hazardous waste	includes waste lamp, waste engine oil, waste battery, waste reagent, waste activated carbon, etc.	Delivered to specialised firms for processing

◆Key Performance Indices for Waste Management of Viscose Mills

Index		Unit	2016	2017	2018
General solid waste generated		tonne	241,124	227,673	285,696
General waste generated per unit product		kg / tonne	433	366	366
Hazardous solid waste generation		tonne	193	321	479
Hazardous waste generated per unit product		kg / tonne	0.35	0.52	0.61 ^[1]
General waste disposal capacity	Externally sold for comprehensive recycling	tonne	/	226,774	284,593
	Landfill	tonne	/	899	1,103
Hazardous waste treatment capacity ^[1]		tonne	/	269	518

Note:

[1].In 2018, SFJ replaced part of its activated carbon so the hazardous waste generated per unit product in 2018 was higher than that of 2017.

Supplier Management

(GRI 102-9, 308-1, 308-2, 414-1, 414-2)

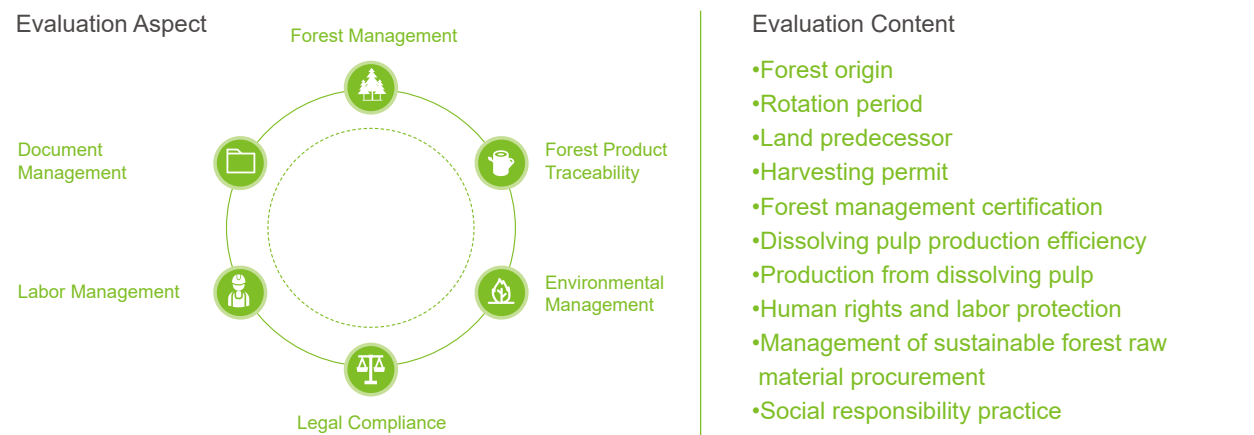
Sateri strictly adheres to RGE group's Code of Ethics for Purchasing. Internally, Sateri requires all purchasing staff to sign and comply with the Code of Ethics for Buyers, while externally Sateri requires all suppliers to sign and comply with the Code of Ethics for Suppliers' Purchasing. Sateri strives to ensure that employees and suppliers commit to the principles of business integrity, fair competition, and open communication throughout the purchasing process.

Pulp Sourcing Management

Sateri formulated its Wood Pulp Purchasing Policy in accordance with RGE group's Sustainable Development Framework for Forests, Fibres, Wood Pulp and Paper Products. Sateri also requires all wood pulp suppliers to sign the “Declaration of Compliance with the Sateri Wood Pulp Purchasing Policy”.

Using its risk assessment system, Sateri evaluates the sustainability of wood pulp suppliers using six parameters: forest management, forest product traceability, environmental management, legal compliance, employee management and document management. Sateri then makes any corresponding purchasing decisions based on the results of the risk assessments.

◆Sateri Wood Pulp Supplier Risk Assessment System



Supplier Evaluation

The individual purchasing departments of each of Sateri viscose mills are responsible for purchasing activities, excluding wood pulp sourcing.

Sateri viscose mills employ the ASL, NSL and DSL systems to manage suppliers of raw materials, auxiliary materials (excluding dissolving pulp), equipment, constructional materials, technology and consulting services. The purchasing departments regularly review ASL suppliers' qualifications and performance. This allows them to efficiently identify suppliers which have a problematic performance or which caused negative environmental or social impacts, or those with violation records or penalties. If any of these conditions are identified, the supplier is disqualified from doing business with Sateri and any existing business relationship with the supplier terminated. They are then categorised under NSL or DSL.

For new suppliers, Sateri conducts prequalification assessments following the Supplier Selection and Prequalification process.

◆ The main content of the Supplier Selection and Prequalification process

- Business ethics and integrity
- Quality system and implementation standards
- Health, safety and environmental commitments, environmental policies, environmental goals, key environmental impact indicators and carbon effects

◆Key Performance Index for Supplier Management of Viscose Mills

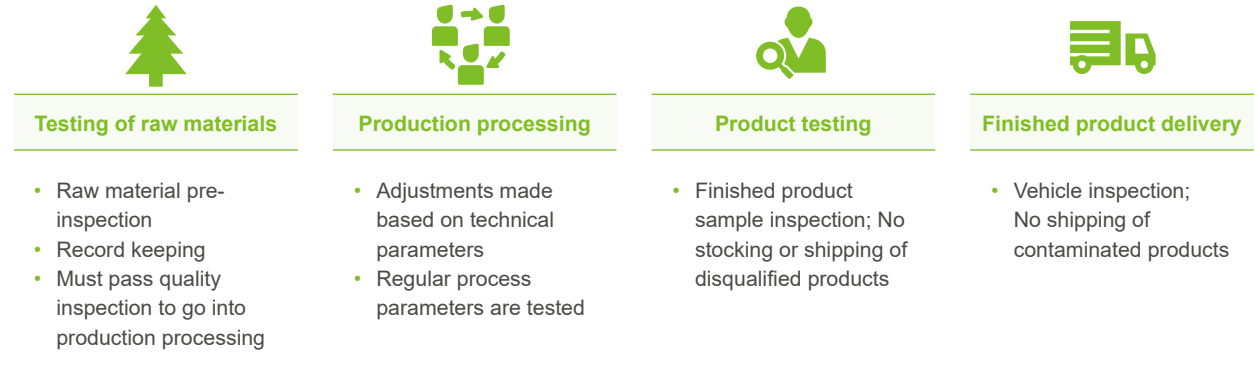
Index	Unit	2016	2017	2018
Evaluated ASL suppliers	enterprise	120	136	142
Evaluated new suppliers	enterprise	186	229	235

Product Management

(GRI 417-1)

All viscose mills have established quality management systems to implement quality controls throughout every stage of production, from the initial storage of raw material to the final product inspection and delivery. Sateri strives to deliver quality products that meet the demands of its customers.

◆Product Quality Control Measures



Product Health and Safety

Sateri conducts product testing and applies for certifications to ensure product safety.

◆Product Testing and Certifications

Testing and Certification	Scope of application
STANDARD 100 By OEKO-TEX® Certification (Class I) ^[1]	Textile and non-woven fibres, yarn products
Chemical Registration, Evaluation, Authorization and Restriction (REACH) Testing ^[2]	Textile and non-woven fibres
Restriction of Hazardous Substances (RoHS) ^{[3], [4]}	Textile and non-woven fibres
Kaken Performance Testing for Reduction of Ammonia Gas	Antibacterial fibres (white)
CTTC Antibacterial Testing	
TTTS Antibacterial Testing	
TTTS Safety Testing	Antibacterial fabrics
TTTS Standard Microbial Testing	Non-woven fabrics
European Seedling Certification (In Accordance with EN 13432: 2000)	Non-woven fibres
Skin Irritation Testing ^[4]	Non-woven fibres
Skin Sensitisation Testing ^[4]	
Cytotoxicity Testing ^[4]	
Bioburden Analysis Testing ^[4]	
In Vitro Cytotoxicity Testing ^[4]	
Detection of Pathogenic Bacteria (Including Escherichia Coli, Pseudomonas Aeruginosa, Staphylococcus Aureus, etc.) ^[4]	
RIPT Skin Allergic Testing ^[4]	
California Act No. 65 (Testing the Content of Lead, Cadmium, Formaldehyde, etc.) ^[4]	
US FDA Chloroform Soluble Extract Testing (Paper Product Requirements) ^[4]	
Halogen Testing ^[4]	
Polychlorinated Biphenyls and Glyphosate Testing ^[4]	

Note:

[1].STANDARD 100 by OEKO-TEX® certifies textile and non-woven fibres containing white and black fibres. Other testing certify textile and non-woven fibres (white).

[2].Passing REACH testing signifies that the product meets the requirements of the EU Regulation to “provide information on the safe use of the product”.

[3].RoHS tests the product for harmful substances such as lead (Pb), cadmium (Cd), mercury (Hg), hexavalent chromium (Cr6+), polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs).

[4].SFJ has passed the following testing: RoHS testing, skin irritation testing, skin sensitisation testing, cytotoxicity testing, bioburden analysis testing, in vitro cytotoxicity testing, pathogen detection, California Act No. 65, US FDA Chloroform Soluble Extract Testing (Paper Product Requirements), RIPT testing, halogen testing, PCBs and glyphosate testing.

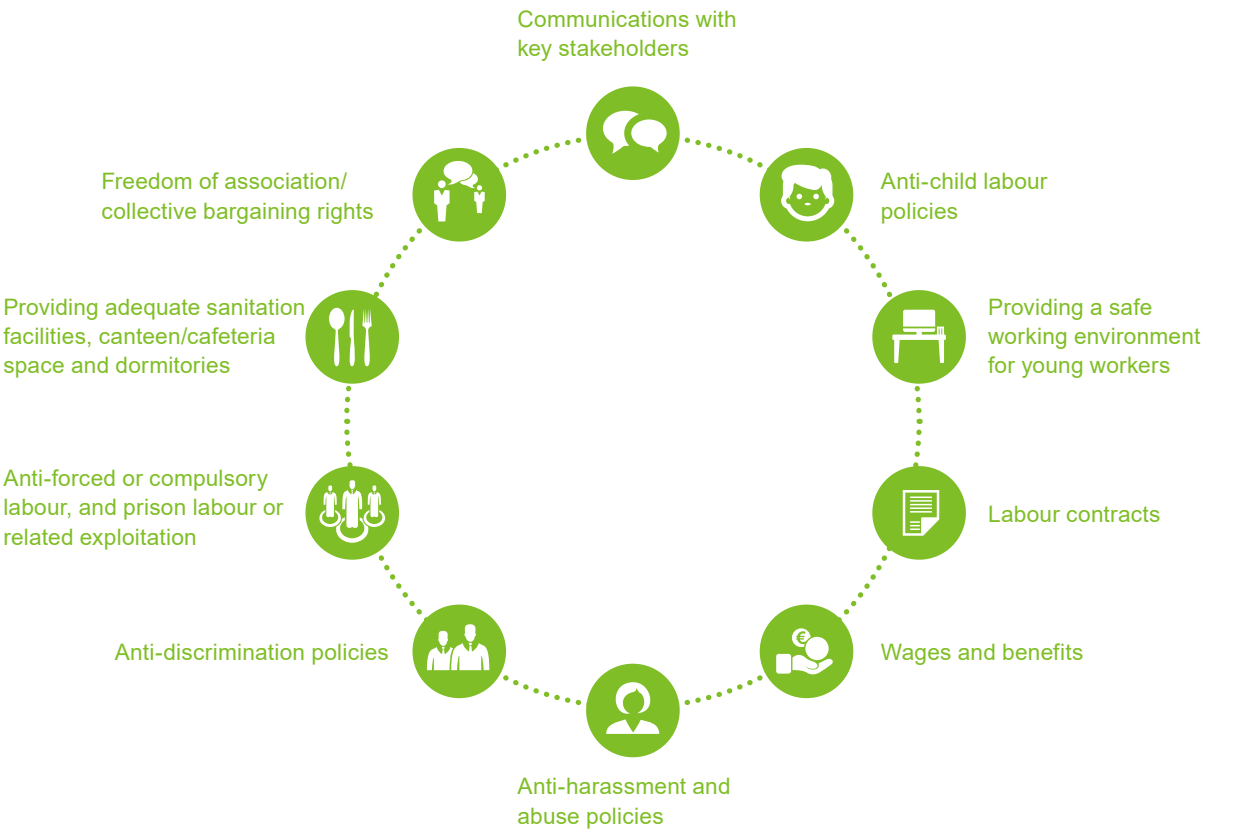
Employee Management

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

Sateri is committed to protecting the rights and interests of its employees, ensuring that no one is discriminated against because of their race, religion, gender, age, marital status, disability, or nationality. Sateri complies with legal employment laws and employs no child labour in any area of its operations. 100% of Sateri employees are properly employed via labour contract signing. The company offers competitive compensation, as well as paid holidays and social insurance benefits to employees in accordance with local laws and regulations.

Sateri's mills have established trade unions that carry out communications on employee rights and represent employees for collective bargaining. Sateri encourages employees to join the trade union to participate in related activities, meetings, and decision-making processes. Currently, more than 90% of all employees in Sateri's mills have joined the trade union. In addition, in an effort to build an open relationship with its employees, Sateri offers multiple channels for communication and lodging complaints, such as e-mail and social media platforms.

SJX, SFJ and SJJ Phase I have received the international OEKO-TEX® STeP ^[1] certification for responsible production. This certification signifies that Sateri complies with *The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, as well as the United Nations Universal Declaration of Human Rights*. The certification also states that Sateri complies with relevant international norms in the following areas:



Note:

[1].SJJ Phase II has not yet started the STeP certification audit.

◆Key Performance Indices on Employment

Index	Unit	2017	2018
Total number of employees	Number of people	3,420	3,512
Full-time employees	Number of people	3,251	3,365
Part-time employees	Number of people	169	147
Male employee ratio	%	71	71
Female employee ratio	%	29	29
Ratio of employees over 50	%	9	9
Ratio of employee between 30 to 50	%	70	72
Ratio of employees under 30	%	21	19
New employee ratio	%	39	23
Male employee ratio	%	43	23
Female employee ratio	%	30	24
Ratio of employees over 50	%	7	2
Ratio of employee between 30 to 50	%	36	21
Ratio of employees under 30	%	66	44
Total employee turnover	%	22	23
Male employee ratio	%	23	23
Female employee ratio	%	20	23
Ratio of employees over 50	%	11	17
Ratio of employee between 30 to 50	%	20	20
Ratio of employees under 30	%	35	37

Staff Training and Development (GRI 404-1, 404-2)

Sateri conducts diversified training activities on employee attitudes, knowledge and skills to improve the morale, working commitment and capacity of employees.

◆Key Performance Indices on Employee Training at Mill Level

Index	Unit	2016	2017	2018
Employee training coverage	%	/	98	100
Total hours of employee training	hour	137,665.5	192,293.1	239,902.8
Average training hour per employee	hour	49.6	59.7	69.1

Occupational Health and Safety (GRI 403-2, 403-3)

All Sateri viscose mills have established EHS accountability systems and committees. The committee consists of senior management, departmental managers and general staff, and is responsible for reviewing occupational health and safety related issues, including but not limited to: work environment health and safety hazards and response, safety incidents/accidents, personal protection, safety awareness and training, and emergency drills.



Safety Production and Occupational Health

Sateri continuously updates its safety related measures to reduce the likelihood of workplace accidents from occurring and mitigate their impact. This includes the formulation of safety production management regulations and *Emergency Plan for Production Safety Accidents*, and regularly conducting safety and emergency drills, such as fire and chemical spill emergency drills.

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

Identifying and detecting occupational hazards	Informing employees of occupational hazards and exposure risks through employee contracts or onsite notification boards	Providing physical examinations and creating occupational health records for employees who have occupational exposure risks	Providing employees with occupational disease protection supplies and regularly conduct associated training
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◆Key Performance Indices on Safety Performance at Mill Level^[1]

Index	Unit	2016	2017	2018
Lost time injury frequency rate per 200,000 hours worked ^[2]	/	0.49	0.16	0.20
Total number of deaths resulting from work-related injury or disease ^[3]	number of deaths	1	0	1
Lost days due to work-related injuries ^[4]	days	663	299	633
Fire drills conducted	times	/	114	143
Participants of fire drills	number of people	/	2,163	2,617
Chemical emergency drills conducted	times	/	23	30
Participants of chemical emergency drills	number of people	/	314	423
Employee occupational disease physical examination coverage	%	100	100	100
Employee occupational disease incident rate	%	0	0	0

Note:

[1].Lost time injury frequency rate per 200,000 hours worked, total number of deaths resulting from work-related injury or disease, and lost days due to work-related injuries for years 2016 and 2017 disclosed in the Sustainability Report 2017 differ from the current Sustainability Report 2018, because in the current report they have been adjusted to include both the full-time and part-time employees (excluding contractors).

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

[3].In 2018, an SJJ employee injured himself during a mechanical operation and was sent to a local hospital for treatment. One month later, the person died of multiple organ dysfunction syndrome. According to the definition of the International Labour Organisation (ILO), employees who died within one year after the occurrence of an industrial accident are identified as deaths resulting from work-related injuries. After the incident, SJJ adopted a series of rectification measures, including installing protective devices, implementing further assessments of the skills and knowledge of mechanical operators, and increasing inspections for operational violations. By the end of the reporting period, these rectification measures had all been fully implemented.

[4].The lost days due to work-related injury starts from the employee's first day-off up to the day they return to work. The maximum number of lost workdays that can be attributed to a work-related injury for a single accident is 180 days.

Public Welfare and Volunteer Service Management

(GRI 203-1, 203-2, 413-1)

Sateri encourages all viscose mills to work with volunteer associations to address the needs of surrounding communities, especially on the issues of education empowerment, environmental protection, poverty alleviation, disaster relief and cultural development.

◆Community Welfare and Volunteer Service Performance

Index	Unit	2006-2016	2017	2018
Public welfare investment ^[1]	USD	1,319,500	217,500	121,800
Number of volunteer services by people	Number of people	/	494	1,293
Volunteer service hours	hour	/	2,949	3,746


Note:

[1].From 2006 to 2016, Sateri directly invested a total of 1,319,500 USD in public welfare-related investments, and another 4,712,500 USD in the name of RGE Group. In 2017, Sateri directly invested 217,500 USD in public welfare and another 2,537,500 USD in the name of RGE Group, which included donations to the China Environmental Protection Foundation, the Aihai Project Qinghai Project and the First People's Hospital of Putian city.


Compliance Management

(GRI 102-17, 307-1, 416-2, 417-2, 417-3, 418-1, 419-1)

Sateri abides by local laws, regulations and industry standards. Additionally, as a member of the RGE group, Sateri requires that employees abide by the *RGE Group Code of Conduct* and receive related compliance training.




Topics Covered by RGE Group Global Code of Conduct




Our employees

- Workplace health and safety
- Intimidation, harassment and violence
- Alcohol, gambling and substance abuse
- Personal information, privacy and security




Our community

- Political donations and activities
- Sustainable development



Our market

- Conflict of interest
- Accept gifts, entertainment and hospitality
- Relationship with business partners
- Competition, sourcing professional ethics
- Trade sanctions, insider trading
- Travel




Our assets and resources

- Protect our assets
- External communication
- Cyber security


Complaint Channels

As a transparent and accountable company, Sateri encourages the public to offer feedback on its corporate policies, operations, activities, suppliers and other partners. In 2018, Sateri received no complaints on environmental pollution, health and safety hazards, dissolving wood pulp, or social responsibility.

Sateri's complaint mechanisms include:



Online complaint channels for the public to voice concerns or complaints on environmental pollution, health and safety hazards, raw material sourcing or social responsibility via e-mail. The designated e-mail address is Sateri_feedback@sateri.com.



Establish a complaint committee and designate personnel to address complaints in a timely manner, and formulate improvement plans.

Violations

In 2018, Sateri received no notices of violations or litigation related to the environment, employment practises, social or economic aspects, health and safety of products and services, marketing, labelling and privacy protection.

Risk Management (GRI 102-11, 102-15)

Sateri conducts risk management assessments on three aspects: environmental management, social impact and corporate governance.

		Risk Identification	Countermeasures
Environmental Impact	Environmental Risk	<ul style="list-style-type: none"> Due to the potential of equipment failure in the production process, natural disasters, or human error, there are risks of environmental pollution accidents such as chemical spills and excessive pollutant discharge. 	<ul style="list-style-type: none"> Implement environmental protection system and formulate environmental risk emergency plans. Complete the SAC Higg FEM 3.0 assessment and pass the highest level of STeP certification by OEKO-TEX®, reducing environmental risks.
	Climate Change	<ul style="list-style-type: none"> Climate change issues carry potential regulatory, technology, market and corporate reputational risks. With the launch of the carbon emissions trading market, companies are obligated to implement carbon trading, which may impose significant costs. Some enterprises may not be able to catch up with the technological innovation of fibre manufacturing, which may result in higher energy consumption of the enterprise itself and downstream mills. It may also cause the risk of non-compliance or poor market performance. The fashion industry is devoting more attention on the climate change issue. If Sateri fails to meet stakeholders' expectations on the transparency related to the climate issue, there may be reputational risks. 	<ul style="list-style-type: none"> Implement energy conservation and emission reduction projects. Sateri EcoCosy® BV Series reduces carbon emissions by improving spinning efficiency and thus reducing labour intensity and decreasing energy consumption. Cooperate with the China Textile Federation and industry chain partners to develop the EcoCosy® Climate Leadership Action Plan and promote the low-carbon development of the industry. Participate in the Carbon Disclosure Project (CDP), and disclose GHG emissions data and estimates.
	Energy and Resources	<ul style="list-style-type: none"> The production of viscose fibres is closely related with water resources and natural resources (such as dissolving pulp). If there is a shortage of resources or energy, this will compromise Sateri's operations. 	<ul style="list-style-type: none"> Improve resource and energy efficiency. Enhance the recycling and reuse of resources and power through improving and optimizing production processes.
	Chemicals	<ul style="list-style-type: none"> Chemical risks include chemical sourcing, storage and usage risks. Excessive use of chemicals during production may impact the health of consumers. If the chemicals are not properly managed during transportation and use, chemical spills may occur and affect the surrounding environment and the health of community residents. 	<ul style="list-style-type: none"> Develop a chemical management system (including for hazardous chemicals). In accordance with international standards and guidelines, raise the threshold for chemical sourcing and control the types and total amount of chemical purchases. Reduce chemical use through chemical recycling. Improve management of chemical sourcing, transportation, handling, storage and use.
	Health and Safety	<ul style="list-style-type: none"> Due to system defects, equipment safety hazards or work negligence at viscose mills, there are associated health and safety risks including chemical spills, fire, work-injury, occupational disease and hazards, which may result in disruption of Sateri's operations, penalties from authorities, or reputational damages. 	<ul style="list-style-type: none"> Focus on safety and occupational hazards prevention management, and improve management through training, supervision, review and correction. Promote a safety culture at mill level, and implement regular occupational hazard assessments and occupational disease examinations.
Social Influence	Community Relationship Risk	<ul style="list-style-type: none"> The viscose mills may impact the surrounding communities and residents, without proper communications, there are risks of misunderstandings that may result in a relationship crisis. 	<ul style="list-style-type: none"> Enhance communications and interactions with surrounding communities through open day activities and other means. Based on community needs, conduct public welfare activities, support community development and create a harmonious relationship with the community.
	Reputation Risk	<ul style="list-style-type: none"> Failure to meet stakeholder expectations on compliance, environmental management and transparency, or negative / false reporting of Sateri may impose negative influences on the textile industry and value chain. 	<ul style="list-style-type: none"> Enhance public understanding of the viscose industry and the textile value chain by improving environmental management, compliance management, stakeholder communications, inner-industry cooperation and green developments, thereby reducing potential reputational damages.
Corporate Governance	Compliance Risk	<ul style="list-style-type: none"> Failure to meet regulations and international standards, may result in financial or reputational damages. 	<ul style="list-style-type: none"> Improve the compliance management system and set strict standards. Conduct employee compliance training, compliance assessments, and improvement projects. Establish a corporate-level compliance culture and avoid violations.
	Transparency Risk	<ul style="list-style-type: none"> Failure to disclose information to stakeholders in a timely manner, may result in misinterpretations or reputational damages among the public. 	<ul style="list-style-type: none"> Improve communications with stakeholders; enhance transparency by means of releasing the Sustainability Report, stakeholder engagement surveys and interaction with international environmental organisations. Work with industry associations and several other viscose mills to establish Collaboration for Sustainable Development of Viscose (CV); improve the transparency of the entire viscose industry. Organise the "International Non-woven Day", customer-oriented seminars and other events to improve communications with value chain partners. Long March of Green Development by Collaboration for Sustainable Development of Viscose (CV) was held in SJJ, which enhanced transparency of the industry and promoted technical exchange among member companies.
	Supply Chain Risk	<ul style="list-style-type: none"> Failure to implement a responsible sourcing policy or execute transparency in sourcing, may compromise partners' confidence in Sateri and its brand image. 	<ul style="list-style-type: none"> Regularly evaluate suppliers' performance on environment and societal impact to improve Sateri's supplier management. In the sourcing of wood pulp, all Sateri viscose mills have passed the PEFC™- Programme for the Endorsement of Forest Certification™. Increase the purchasing proportion of certified and controlled wood pulp to improve product traceability and reduce supply chain risks.
	Product Related Risk	<ul style="list-style-type: none"> If there is quality defect of Sateri viscose fibres product, it will have a negative influence on the downstream companies. The safety and environmental friendliness of Sateri viscose fibres product relates closely with the reputation of Sateri and the entire industry. 	<ul style="list-style-type: none"> Improve sustainability management to ensure the product quality, health and safety with measure such as enhancing quality control, conducting research and development, certification of products, etc.



ASSURANCE STATEMENT

SGS-CSTC STANDARDS TECHNICAL SERVICES (SHANGHAI) CO., LTD'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SATERI (SHANGHAI) MANAGEMENT LIMITED FOR SATERI SUSTAINABILITY REPORT 2018

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 2018 (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 off-site verification at Sateri (Fujian) Fibre Co. Ltd., Sateri (Jiangxi) Chemical Fibre Co. Ltd., Sateri (Jiujiang) Fibre Co. Ltd. and Linz (Nanjing) Viscose Yarn Co. Ltd.

The information in the Sateri Sustainability Report 2018 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 2018.

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 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 management methodology is reliable, the Report is verifiable and provides a fair and balanced representation of Sateri sustainability activities in 2018. 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 organisation.

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 Suggestions

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

Limitations of assurance

Onsite verification limited at Shanghai Headquarters of Sateri. Some data of affiliated organization in Jiangxi Province and Nanjing City are not traced to original records.

Signed:

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

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GRI Content Index

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
Foundation					
GRI 101 Foundation 2016	101	Foundation	About the Report	2	
General Disclosures					
Organizational Profile					
GRI 102 General Disclosures 2016	102-1	Name of the organisation	Sateri At A Glance	7-10	
	102-2	Activities, brands, products, and services	Sateri At A Glance	7-11	
	102-3	Location of headquarters	Sateri At A Glance	7-10	
	102-4	Location of operations	Sateri At A Glance	7-10	
	102-5	Ownership and legal form	Sateri At A Glance	7-10	
	102-6	Markets served	Sateri At A Glance	7-10	
	102-7	Scale of the organisation	Sateri At A Glance	7-10	
	102-8	Information on employees and other workers	Employee Management	60-61	
	102-9	Supply chain	Responsible Sourcing Supplier Management	25-26 57-58	
	102-10	Significant changes to the organisation and its supply chain	Sateri At A Glance	7-10	
	102-11	Precautionary Principle or approach	Risk Management	65-66	
	102-12	External initiatives	2020 Sustainability Goals and Progress Promoting Sustainable Consumption with Partners	12-15 22-24	
	102-13	Membership of associations	2020 Sustainability Goals and Progress	12-15	
Strategy					
GRI 102 General Disclosures 2016	102-14	Statement from senior decision-maker	President's Message	3-4	
	102-15	Key impacts, risks, and opportunities	President's Message Risk Management	3-4 65-66	
Ethics and Integrity					
GRI 102 General Disclosures 2016	102-16	Values, principles, standards, and norms of behaviour	Sustainability Management Strategy	48	
	102-17	Mechanisms for advice and concerns about ethics	Compliance Management	64	

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
Governance					
GRI 102 General Disclosures 2016	102-18	Governance structure	Sustainability Management Structure	49	
	102-19	Delegating authority	Sustainability Management Structure	49	
	102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Management Structure	49	
	102-21	Consulting stakeholders on economic, environmental, and social topics	Sustainability Management Structure	49	
	102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Management Structure	49	
	102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Management Structure	49	
	102-32	Highest governance body's role in sustainability reporting	Sustainability Management Structure	49	
	102-33	Communicating critical concerns	Sustainability Management Structure	49	
Stakeholder Engagement					
GRI 102 General Disclosures 2016	102-40	List of stakeholder groups	Stakeholder Communications and Responses	50	
	102-41	Collective bargaining agreements	/	/	Sateri has not yet signed collective bargaining agreements with its employees.
	102-42	Identifying and selecting stakeholders	Analysis and Boundaries of Material Topics	51-52	
	102-43	Approach to stakeholder engagement	Stakeholder Communications and Responses	50	
	102-44	Key topics and concerns raised	Analysis and Boundaries of Material Topics	51-52	

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
Reporting Practice					
GRI 102 General Disclosures 2016	102-45	Entities included in the consolidated financial statements	About the Report	2	
	102-46	Defining report content and topic Boundaries	Analysis and Boundaries of Material Topics	52-54	
	102-47	List of material topics	Analysis and Boundaries of Material Topics	52-54	
	102-48	Restatements of information	About the Report	2	
	102-49	Changes in reporting	About the Report	2	
	102-50	Reporting period	About the Report	2	
	102-51	Date of most recent report	About the Report	2	
	102-52	Reporting cycle	About the Report	2	
	102-53	Contact point for questions regarding the report	About the Report	2	
	102-54	Claims of reporting in accordance with the GRI Standards	About the Report	2	
	102-55	GRI content index	GRI Standard Index	69-75	
	102-56	External assurance	Assurance	67-68	
Economic					
Indirect Economic Impacts					
GRI 103 Management Approach 2016	103-1	Management Approach	Contributing to Social Prosperity Public Welfare and Volunteer Service Management	45-46 63	
	103-2				
	103-3				
GRI 203 Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Contributing to Social Prosperity Public Welfare and Volunteer Service Management	45-46 63	
	203-2	Significant indirect economic impacts	Responsible Sourcing	25-26	
			Contributing to Social Prosperity Public Welfare and Volunteer Service Management	45-46 63	
Environment					
Energy					
GRI 103 Management Approach 2016	103-1	Management Approach	Environmental Management	53-54	
	103-2				
	103-3				

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
GRI 302 Energy 2016	302-1	Energy consumption within the organization	Energy Productivity and Climate Change Environmental Management	27-30 53-54	
	302-3	Energy intensity	Energy Productivity and Climate Change Environmental Management	27-30 53-54	
	302-4	Reduction of energy consumption	Energy Productivity and Climate Change Environmental Management	27-30 53-54	
	302-5	Reduction in energy requirements of products and services	Energy Productivity and Climate Change Environmental Management	27-30 53-54	
Water					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Environmental Management	54	
	103-3				
GRI 303 Water 2016	303-1	Water withdrawal by source	Environmental Management	54	
Emissions					
GRI 103 Management Approach 2016	103-1		Mitigating the Impact of Emissions	27-30	
	103-2	Management Approach	Energy Productivity and Climate Change	31-36	
	103-3		Environmental Management	55-56	
GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Environmental Management	55-56	
	305-2	Energy indirect (Scope 2) GHG emissions	Environmental Management	55-56	
	305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	Mitigating the Impact of Emissions	31-36 55-56	
Effluents and Waste					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Mitigating the Impact of Emissions	31-36 55-56	
	103-3				
GRI 306 Effluents and Waste 2016	306-1	Water discharge by quality and destination	Mitigating the Impact of Emissions	31-36 55-56	
	306-2	Waste by type and disposal method	Environmental Management	55-56	
	306-3	Significant spills	Chemical Management	38-40	
Environmental Compliance					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Environmental Management	55-56	
	103-3				

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
GRI 307 Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Compliance management	64	
Supplier Environmental Assessment					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Responsible Sourcing	25-26	
	103-3		Supplier Management	57-58	
GRI 308 Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Supplier Management	57-58	
	308-2	Negative environmental impacts in the supply chain and actions taken	Supplier Management	57-58	
Social					
Employment					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Employee Management	60-61	
	103-3				
GRI 401 Employment 2016	401-1	New employee hires and employee turnover	Employee Management	61	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Management	60-61	
Occupational Health and Safety					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Occupational Health & Safety	41	
	103-3		Employee Management	62-63	
GRI 403 Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	Employee Management	62-63	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health & Safety	42	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	Employee Management	62-63	
Training and Education					
GRI 103 Management Approach 2016	103-1		Empowering Employee Development	43-44	
	103-2	Management Approach	Staff Training and Development	61	
	103-3				
GRI 404 Training and Education 2016	404-1	Average hours of training per year per employee	Empowering Employee Development	43	Partially disclosed
	404-2	Programs for upgrading employee skills and transition assistance programs	Staff Training and Development	61	

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
Diversity and Equal Opportunity					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Employee Management	60-61	
	103-3				
GRI 405 Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Employee Management	60-61	Partially disclosed
Non-discrimination					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Employee Management	60-61	
	103-3				
GRI 406 Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Employee Management	60-61	No incident of discrimination was identified
Freedom of Association and Collective Bargaining					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Employee Management	60-61	
	103-3				
GRI 407 Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Employee Management	60-61	
Child Labour					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Employee Management	60-61	
	103-3				
GRI 408 Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Employee Management	60-61	
Forced or Compulsory Labour					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Employee Management	60-61	
	103-3				
GRI 409 Forced or Compulsory Labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Employee Management	60-61	
Local Communities					
GRI 103 Management Approach 2016	103-1		Contributing to Social Prosperity	45-46	
	103-2	Management Approach	Public Welfare and Volunteer Service Management	63	
	103-3				
GRI 413 Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Contributing to Social Prosperity Public Welfare and Volunteer Service Management	45-46 63	

GRI Standard Index			Report Reference		Remark &Omission
GRI Standard	Disclosure Number	Disclosure Title	Chapter	Page Number	
Supplier Social Assessment					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Supplier Management	57-58	
	103-3				
GRI 414 Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Supplier Management	57-58	
	414-2	Negative social impacts in the supply chain and actions taken	Supplier Management	57-58	
Customer Health and Safety					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Product management Compliance management	58-59 64	
	103-3				
GRI 416 Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Product management	58-59	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance management	64	
Marketing and Labelling					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Product management Compliance management	58-59 64	
	103-3				
GRI 417 Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	Product management	58-59	
	417-2	Incidents of non-compliance concerning product and service information and labelling	Compliance management	64	
	417-3	Incidents of non-compliance concerning marketing communications	Compliance management	64	
Customer Privacy					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Compliance management	64	
	103-3				
GRI 418 Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance management	64	
Socio-economic Compliance					
GRI 103 Management Approach 2016	103-1				
	103-2	Management Approach	Compliance management	64	
	103-3				
GRI 419 Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Compliance management	64	No non-compliance incident was identified.

Glossary

When introducing the economic, social and environmental performances of Sateri, some specialised terms or references related to Sateri's business or sustainable development may be used. In order to help readers understand this report better, the most commonly used terms, organisation names, and abbreviations are listed below:



STANDARD 100 by OEKO-TEX® was developed by the OEKO-TEX® Association in 1992 and is the most widely used textile eco-label, which specifies the limits of harmful substances in fibres, yarns and textiles.



MADE IN GREEN by OEKO-TEX® is a traceable product label which enables communication throughout the supply chain all the way to the end-user. The MADE IN GREEN label ensures that the product has passed the hazardous substances testing and is manufactured in a sustainable manner.



USDA Certified Bio-based Product is a product certification for being biologically-based rather than petroleum-based. Bio-based products are derived from renewable resources such as plant, animal, marine and forestry resources. As an alternative to non-renewable petrochemicals, bio-based materials play a significant role in reducing greenhouse gas emission.



PEFC™ (Programme for the Endorsement of Forest Certification™) Chain of Custody (CoC) certification requires effective traceability of certified raw materials during production. That is, all certified wood used in the products can be verified as being made with raw materials from sustainably managed forestry, certified forest materials or certified sourcing.



STeP by OEKO-TEX® is a certification system for brands, retail companies and manufacturers from the textile chain who want to communicate their achievements regarding sustainable manufacturing processes to the public in a transparent, credible and clear manner. Through modular analysis, STeP certification allows a comprehensive and reliable analysis of the extent of sustainable management in all relevant areas of the enterprise.



ZDHC is committed to advance towards zero discharges of hazardous chemicals in the clothing value chain, thereby reducing harm to the environment and human well-being.



Developed by the Sustainability Apparel Coalition (SAC), the Higg FEM 3.0 enables brands, retailers, and facilities of all sizes — at every stage in their sustainability journey — to accurately measure and score the sustainability performance of a company or a product and to identify opportunities for further improvement.



CanopyStyle is a sustainable fibre purchasing initiative that includes an audit of viscose mills in accordance with the guidelines and requirements of Canopy (Canopy is an international non-profit environmental organisation dedicated to the protection of forests, species and climate). CanopyStyle helps manufacturers identify whether the purchased wood pulp comes from the ancient and endangered forests and/or other controversial raw materials.

	The United Nations Framework Convention on Climate (UNFCCC) is the world's first legally binding international treaty for comprehensive control of greenhouse gas emissions and climate change, and a basic framework for national cooperation on the issue of global climate change.
	Formerly known as “The Forest Trust,” Earthworm is a non-profit organisation that actively promotes the relationship between human beings and nature. Earthworm, along with other enterprises and groups with common goals, strive to identify and address social and environmental challenges.
	ALL COMES FROM NOTHING (ACFN), founded in New York in 2014 by Yiwei Xu, is committed to women with creative lifestyles. Adhering to the design concept of “fitting for working studio and opening ceremony”, ACFN's apparel highlights art, fashion, simplicity, and minimalism.
	DIN CERTCO and IBAW launched a Biodegradable Materials Certification Program, commonly referred to as the “Seedling” certification. This certification is based on EN 13432 and ASTM D6400 standards, in which, materials such as raw materials, additives and intermediates are assessed with registration and finished products are evaluated with certification.
	Textile Exchange is a global non-profit organisation based in the United States that is dedicated to promoting the industry's transformation and reduce the impact of the textile industry on water, soil, air and human resources through close partnership with its members. Currently, 210 companies and organisations from over 25 countries have become members of Textile Exchange.
	Changing Markets Foundation (CMF) was established in the Netherlands, aiming to fund and support activities that address sustainability-related issues. Collaborating with non-profit organisations, foundations, and research institutions, CMF is committed to promoting products with sound environmental impact and social benefits.
	The Institute of Public & Environmental Affairs (IPE) is a public welfare environmental research institution registered in Beijing. IPE has dedicated itself to collecting, collating and analysing government and corporate environmental information to build a database of environmental information. IPE's two platforms – the Blue Map website and the Blue Map app – integrate environmental data to serve green sourcing, 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 disclosures and improve environmental governance mechanisms.
	The International Labour Organisation (ILO) was established in 1919 as a subsidiary body of the League of Nations under the Treaty of Versailles and became a specialised agency of the United Nations in 1946. It aims to promote full-time employment, raising living standards, cooperation between employers and employees, social security measures and adequate protection for the life and health of workers. Its main activities are engaging in international employee legislation, developing conventions and recommendations, and providing assistance and technical cooperation. The highest authority of the organisation is the International Labour Conference which is held once a year.

Note:

[1].STANDARD 100 by OEKO-TEX®, MADE IN GREEN by OEKO-TEX®, STeP by OEKO-TEX® and CFCC/PEFC™ icons in the above table are examples of the certification mark (including number) obtained by SFJ.





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Sateri's Official
WeChat Account

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