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Sateri Adopts Action Plan in Response to Canopy's Hot Button Report Assessment

Shanghai, 11 October 2019 – Following an extensive dialogue with Canopy, Sateri has adopted an initial, prioritized action plan with the goal of addressing issues raised with fibre sourcing in the 2018 Hot Button Report and the CanopyStyle audit^[1], relating to its strategic supply partner, Asia Pacific Resources International Limited (APRIL).

Sateri is committed to achieving more socially and environmentally responsible production of viscose that strives for balance between those priorities and economic interests by applying best practices across all our operations, from sourcing to manufacturing. Sateri adheres to a robust Wood Pulp Sourcing Policy. We regularly communicate our policy to our suppliers, and have a due diligence process in place to identify, assess and mitigate risks in our supply chain.

One of Sateri's strategic supply partners for dissolving pulp is APRIL, which is implementing its [Sustainable Forest Management Policy 2.0](#) and other sustainability commitments. Sateri has developed jointly with APRIL a plan to address some of Canopy's concerns and align to its commitment of continuous improvement.

The overarching objective of this action plan is to ensure that areas of significant ecological value in Indonesia are conserved and protected, and restored where needed. We appreciate that change to various degrees takes time and are committed to undertake immediate and longer term measures to this end.

Sateri is in a discussion with Canopy on Canopy's vision to halt further degradation of peatlands and natural forest ecosystems, securing landscape level integrity of forests including the restoration of priority degraded landscapes, and remedying social and environmental harm in order to support vibrant, healthy local communities.

Based on Sateri's commitment to engage and influence its strategic suppliers, APRIL has agreed to undertake the following initial actions:

Corporate transparency

APRIL has removed registration requirements for access to APRIL's [sustainability dashboard](#), thereby allowing easier access for civil society and other interested stakeholders. APRIL has expedited the process of ensuring all High Conservation Value (HCV) assessments are made publicly available on its sustainability dashboard.

Addressing Social and Environmental Issues

APRIL has also revised its 'Policy for Association' to clarify to all its suppliers the existing mandatory requirement of conducting High Conservation Value (HCV)/High Carbon Stock (HCS) assessments prior to any new plantation development, as well as the submission of the assessment reports to APRIL as part of the company's due diligence process.

Consistent with APRIL's [Sustainable Forest Management Policy 2.0](#) which states that it will not source from HCV or HCS areas, Sateri and APRIL will continue to reemphasize the importance of, and support for the ongoing ecological integrity of large, intact forest ecosystems (IFL)^[2].

As such, APRIL is indicating a willingness to publicly reaffirm its intention to not source natural forest fibre from, directly or indirectly cause the development of new plantation concessions in, Intact Forest Landscapes in Indonesia and elsewhere, specifically in the Leuser Ecosystem, West Papua and Kalimantan.

Supporting the Protection and Conservation of Leuser Ecosystem

Sateri commits to continue engaging APRIL and the Royal Golden Eagle (RGE)^[3] to support lasting conservation solutions, including significant areas of critically endangered species habitat in the Leuser Ecosystem.

While APRIL does not operate, have any concessions or source from Aceh or from the Leuser Ecosystem, it recognizes the importance of protecting this ecologically and socio-culturally important landscape. APRIL has expressed its willingness to work with Canopy and other civil society groups to support conservation initiatives in the Leuser Ecosystem, including contributing technical and funding resources.

Action to advance next-generation fibre solutions

Sateri strongly supports the research and development and eventual production of viscose using alternative cellulosic feedstock. RGE will be announcing substantive investments in technologically-advanced and innovative next-generation fibre solutions that can be deployed at industrial scale.

In August 2019, RGE invested as a strategic partner in Finnish start-up Infinited Fiber Company (IFC) to scale up its technology that turns textile waste and other pulp-based materials into new textile fibres. A 500-ton pre-commercial plant in Finland and customer training centre will be ready by early 2020.

Sateri will participate in this advancement and is committed to use best efforts to offer, at commercial scale, new product lines with innovative alternative fibre input and/or recycled material in the near future.

Peatland Operations

Sateri and APRIL acknowledge Canopy's concerns regarding APRIL's operations on carbon-rich peatlands. APRIL recognizes the impacts of drainage-based production models and supports the accelerated development and implementation of science-based approaches that address these.

APRIL has adopted a Peatland Roadmap, developed jointly with an independent team of peatland scientists, to guide responsible peatland management. The Roadmap includes the development of a vision based on a combination of responsibly-managed production, restoration, and protection of all remaining forest without further loss or degradation of peat in collaboration with other stakeholders.

Moving Forward

Sateri takes this effort very seriously and has worked extensively over the past few months with APRIL to begin implementing key elements of this action plan. Sateri welcomes the opportunity to work with Canopy and APRIL, and is pleased with the progress made to-date. We look forward to providing updates on iterations of the action plan as progress is made on the ground.

^[1] <https://canopyplanet.org/sateri-canopystyle-audit-results-released/>

^[2] The concept of IFL is covered under HCV Value 2 Landscape Level Ecosystems which is defined as "Large landscape-level ecosystems, ecosystem mosaics and Intact Forest Landscapes (IFL), that are significant at global, regional or national levels, and that contain

viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.” (https://hcvnetwork.org/wp-content/uploads/2018/04/HCV_Mgmt_Monitoring_final_english.pdf)

[3] RGE manages a group of resource-based manufacturing companies with global operations. The Group’s businesses range from the upstream, comprising sustainable resource development and harvesting, to downstream, where its companies create diverse value-added products for the global market. More information on www.rgei.com.