



Environmental, Social and Governance (ESG) Statement

Avarga Limited (Avarga) is an investment holding company listed on the Main Board of Singapore Exchange Limited.

Avarga incorporates environmental, social, and governance (ESG) initiatives as part of our operating framework, reflecting our longstanding commitment to our shareholders, customers, suppliers, partners, employees and the communities in which we operate. We are committed to acting lawfully, responsibly, transparently, fairly and with integrity.

We view ESG as a continuous process of aligning our operations and controls with our core values. Our ESG commitments are structured around four key areas relevant to our businesses:

- Our Products and Services
- Our People and Communities
- Our Environment
- Our Corporate Governance

We are proud to have been recognised by the following awards for our financial performance, corporate governance and transparency in 2020-2021:

- The Edge Singapore Centurion Club Award 2020: Winner of Fastest Growth in Profit after Tax for Applied Resources, Energy Sector
- Securities Investors Association Singapore's (SIAS) Investors' Choice Awards: The Singapore Corporate Governance Award (SCGA) 2021, Runner Up for Small Cap Category
- SIAS Investors' Choice Awards: The Most Transparent Company Award (MTCA) 2021, Runner Up for Materials Category

1) **OUR PRODUCTS AND SERVICES**

Avarga has three core businesses: paper manufacturing, power generation and building materials distribution. We operate in five countries: Canada, USA, Malaysia, Myanmar and Singapore. We employ over 700 people with total revenue of approximately S\$1.7 billion in FY 2020. These businesses generate sustainable cash flows, progressively diverting into other investments.

We exercise care in identifying and selecting our suppliers. In all our businesses, we constantly evaluate and monitor our production and operational processes. We strive to optimise efficiency, output and minimise any impact on the environment, and ensure full compliance with all rules and regulations governing our businesses.

- **Paper Manufacturing (Malaysia)**

UPP Pulp & Paper (M) Sdn Bhd (UPP) began operations in Singapore in 1971 and was relocated to Malaysia in 1998-2000. We have been in operation for 50 years, serving the paper packaging needs for Malaysia, where there has traditionally been a shortage of domestic paper supply.

UPP produces industrial grade papers such as testliner, corrugating medium and core board, which are used in the manufacture of corrugated carton boxes. Located in Ijok, Selangor, our paper mill is capable of producing up to 90,000 tonnes of paper per year. Our paper mill was awarded the ISO 90012015 Certification by ISOQAR Ltd in 2015.

We produce 100% recycled paper, by recycling and turning scrap waste paper into new rolls of paper. Our quality paper is environmentally-friendly and competitively priced to meet the growing needs for paper packaging in Malaysia, with demand spurred by the growth of e-Commerce activities.

- **Building Materials Distribution (Canada and USA)**

Taiga Building Products Ltd (Taiga), listed on the Toronto Stock Exchange, is Canada's largest wholesale distributor of building materials, such as lumber, panels, moulding, sidings, engineering and wood flooring, among many others.

Taiga has wood preservation plants and distribution centres across Canada and USA, as well as distribution centres and reload stations in USA. In 2018, Taiga acquired Exterior Wood Inc, based in Washington, USA, which enabled it to further extend its reach into USA.

Founded since 1973, Taiga has been distributing significant amounts of lumber and other building material products across Canada and USA for nearly 50 years. We have been connecting lumber mills and manufacturers of building products with big box players, lumber yards and consumers, and in the process, enabled millions of North Americans to build and renovate their dream homes.

- **Power Generation (Myanmar)**

UPP Power (Myanmar) Limited is one of Myanmar's first fully foreign-owned independent power producers and accounts for about 1.5% of the country's local total power generation.

Located in Insein township, Yangon, our 50MW gas-fired power plant started commercial operations in Feb 2014 and is contracted to sell a minimum of 350 million kilowatt hours (kWh) per year for a duration of 30 years, until Feb 2044, to the Myanmar Government.

In a country with a very low electrification rate of only around 50%, the power plant plays a vital role in providing much needed electricity for the population. We estimate our power plant is able to provide electricity to about 70,000 households every month in the Yangon region, based on average monthly urban household consumption of 435 kWh for Myanmar.

2) OUR PEOPLE AND COMMUNITIES

Avarga employs over 700 employees in Canada, USA, Malaysia, Myanmar and Singapore. We recognise that our success is built by the valuable contributions of each and every one of our dedicated employees.

We are committed to equal rights, opportunity, fairness, transparency, meritocracy and fair compensation across our group. We rally our employees around common values and goals, foremost of which is to create value for the company and all stakeholders – our shareholders, customers, suppliers and partners.

We believe strongly in aligning the interests of our employees with the company.

Across the group, we offer our employees competitive, fair and merit-based compensation. These are complemented with transparent and risk-weighted bonus and pay-for-performance incentive schemes. Our employees also undergo training programs to continually enhance their skills and personal development.

We are equally committed to positively impacting those around us and contributing to the broader communities in which we operate, and society as a whole.

We have been actively taking part in Corporate Social Responsibility (CSR) activities. Our CSR efforts have mainly focused in Myanmar, where we see room for improvement in living and education standards. In particular, we have been actively providing assistance to a government primary school near our power plant, to provide a more conducive learning environment for the students.

For the school in Yangon, No. 16 Basic Education Primary School, Ywama, Insein Township, we have, over the years, built a new multi-media computer hall, school hall, canteen, new perimeter walls, a library and replaced most of its desks and chairs. We have also furnished over 1,600 sets of uniforms, school bags and books for the students.

Elsewhere in Myanmar, we have constructed a new school building and donated uniform, books and school bags to another government school in Kanuatgyi Village, Kanma Township, Magway Region. We also spent US\$37,200 to repair a 200-tonne overhead water tank that was supplying water to the housing area near our power plant.

In Singapore, we have pledged to donate a total of S\$250,000 to the Singapore National Gallery to support and promote Singapore's arts and cultural heritage.

In Malaysia, we donated RM500,000 to The Edge COVID-19 Equipment Fund in 2020. These funds were used to purchase medical equipment such as protective suits, mask and ventilators, and provide financial assistance to healthcare workers who were infected while taking care of COVID-19 patients. We have also donated RM60,000 to Persatuan Kebajikan Amal Da Ai Malaysia, a non-profit charitable childcare centre looking after mentally and physically handicapped children.

In Canada, Taiga created the Taiga Community Fund to support customers and organisations in need through difficult times. Recipients of donations from the fund include Abbotsford Food Bank, Kelowna's Women's Shelter and Coast Mental Health in British Columbia, the Arthouse for Children and Youth and Children's Aid Foundation of Halton in Ontario; and the Big Brothers Big Sisters Foundations in both Nova Scotia and Prince Edward Island. We also provide scholarships to the children of our employees.

Please see the CSR section of our Annual Report for more details of our CSR activities.

3) OUR ENVIRONMENT

Avarga is conscious of the environment and the need for sustainability. We are committed to minimizing the environmental impacts of our various businesses. We have incorporated sustainability measures and policies across the group, which influence the products we produce and distribute, our operating and manufacturing processes, and our supply chain sourcing.

- **Paper Manufacturing (Malaysia)**

For our paper mill in Malaysia, we produce 100% recycled paper, by recycling and turning scrap waste paper into new rolls of paper. Recycling paper is environmentally friendly as compared with producing paper from virgin wood pulp. In the process, we save trees, energy, water, waste disposal and other valuable resources.

Each tonne of recycled paper is estimated to save 17 trees as compared to producing paper from virgin wood pulp. In 2020, we produced 71,724 tonnes of recycled paper, in effect saving a total of 1.22 million trees. First generation paper can be recycled up to 5 times before the fibres fully disintegrate. By recycling, we could potentially save up to 6 million trees for every year of output.

Each tonne of recycled paper saves about 3m³ of landfill space as waste is recycled instead of disposed. By recycling, we would have saved about 215,172m³ of landfill space in 2020.

In 2020, we used 93,094 tonnes of scrap paper for our paper production, absorbing a large amount of waste products that would have otherwise gone into landfills and pollute the environment, especially since Malaysia has a ban on waste paper exports.

- **Building Materials Distribution (Canada and USA)**

In Canada, Taiga supports and encourages sound forest practices and the effective management of forest resources for future generations to enjoy. Taiga distributes primarily spruce, pine, fir and cedar wood sourced from lumber mills that derive their supply from forests under sustainable management that adhere to Canada's strict forest laws.

Taiga's product mix demonstrates the basic conservation principals of reduce, reuse and recycle. Our treated wood products reduce the use of timber resources. Promoting the use of treated wood products indirectly reduces the consumption of our forests by extending the useful life of wood products. Since 2007, all our three treated wood plants in Canada are certified by Environment Canada and Wood Preservation Canada, and comply with strict environmental regulations.

Recycled glass is used in insulation products. These insulation products are also formaldehyde-free, which promotes better indoor air quality and a healthier indoor environment. Waste wood, reclaimed plastic pallet wrap and recycled plastic grocery bags are used to manufacture new age Trex composite decking products. Substitute wood products like oriented strand board (OSB) and engineered wood products feature prominently in our product mix. These products more efficiently utilize forest resources without compromising technical performance.

- **Power Generation (Myanmar)**

Our Myanmar power plant was designed by the Caterpillar group, utilising efficient Caterpillar machines and technology, which aims to optimise output, gas usage and heat rate efficiency. To ensure minimal noise pollution, the power plant building was designed to high noise insulation standards by Australia-based Barclay Engineering, fabricated in Australia and shipped to Myanmar.

We have a long-term operation & maintenance (O&M) contract with Myan Shwe Pyi Tractors Limited, the official Caterpillar dealer in Myanmar. This ensures smooth, continuous operation and strong technical support from the Caterpillar group. The machines underwent their first scheduled major overhaul in 2019-2020, which will boost operational and energy efficiency.

4) **OUR CORPORATE GOVERNANCE**

Avarga is proud of our strong corporate governance practices, which apply across our group. We strongly believe that all interests of our stakeholders should be aligned.

Avarga has adopted a framework of corporate governance policies and practices in line with the principles and guidelines set out in the Singapore Code of Corporate Governance 2018. Through this, we educate all our employees to shape an organisational culture of honesty and integrity which integrate trust in our networking relationships.

Our board consists of seven members, of which four are independent directors, five are non-executive directors and two are female directors.

Our board of directors consists of:

- Tong Kooi Ong, Executive Chairman and Executive Director
- Tong Ian, Chief Executive Officer and Executive Director
- Gary Ho Kuat Foong, Independent Director
- Ng Shin Ein, Independent Director
- Chan Lay Hoon, Non-Executive, Non-Independent Director
- Loh Chen Peng, Independent Director
- Moey Weng Foong, Independent Director

Our remuneration system is transparent, fair and merit-based, and has been extensively spelt out in our Annual Reports. We have incentive bonuses tied to the risk-assessed performance of each business unit. This encourages all divisions to perform well, but not at the expense of excessive risk-taking.

For more detailed information about our corporate governance practices, board of directors, board committee charters, sustainability measures and other policies, please see our Annual Report and our Sustainability Report, which can be found on our website: <https://www.avarga.com.sg/>.

This statement is dated 22 October 2021