



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 2020-2023:

- 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
- National Arts Council Singapore: Friend of the Arts (Organisation), 40th Patron of the Arts Awards 2023
- SIAS Investors' Choice Awards 2023: Winner for Singapore Corporate Governance Award (Small Cap)

1) **OUR PRODUCTS AND SERVICES**

Avarga has two core businesses: paper manufacturing and building materials distribution. We operate in four countries: Canada, USA, Malaysia and Singapore. We employ approximately 734 people with total revenue of approximately S\$1.62 billion in FY 2024. 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 was historically a shortage of domestic paper supply.

UPP produces industrial grade papers, with an increasing focus on coreboard. Located in Ijok, Selangor, Malaysia, our paper mill operates from a 32-acre facility. 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.

We decided to embark on a restructuring exercise in Dec 2022 by downsizing our paper manufacturing operations and stopping the production of test liner and corrugated medium, focusing on core board as our main product. The efforts of the restructuring were successful in reducing losses. However, with the imminent expiry of our long-term gas supply contract with Gas Malaysia on 31 Dec 2024, we decided to cease our paper manufacturing operations on that date, given the uncertain operating outlook ahead.

• **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.

2) **OUR PEOPLE AND COMMUNITIES**

Avarga employs approximately 734 employees in Canada, USA, Malaysia 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.

With the sale of the power plant in 2024, we have since ceased our CSR activities in Myanmar.

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 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 2022-2024, due to the large losses incurred by UPP Pulp and Paper (M) Sdn Bhd, we did not undertake major CSR activities in Malaysia, as we focused instead on restructuring our business.

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.

Taiga Building Products had made some significant donations in 2022 to various projects and initiatives in its communities, including C\$30,000 to the Canadian Red Cross in support of the Hurricane Fiona recovery efforts in the Atlantic Region, C\$10,000 to the Vancouver General Hospital Foundation, C\$10,000 to the BC Children's Hospital Oncology, and C\$8,000 to the Blind Beginnings Gala, a local charity for blind youth.

In 2023, donations totalling over C\$114,000 were contributed by Taiga Building Products in Canada alone, with significant support directed towards various community projects and initiatives. Among these contributions were C\$20,000 directed to the Canadian Red Cross for aiding wildfire relief efforts in Alberta, C\$10,000 each to the Red Cross and the Fondation Charles-Bruneau, which focuses on providing care for children with cancer in Quebec.

We also made a substantial donation of C\$52,808 to Habitat for Humanity Halton-Mississauga. This non-profit organization collaborates with communities to construct homes for local families in need of affordable housing.

In the US, Taiga Building Products contributed a total of US\$14,000 in various donations. This included US\$4,000 directed towards the Panther Foundation, and US\$2,500 allocated to the Boys & Girls Clubs of Southwest Washington.

In 2024, donations in Canada totaled C\$265,301. Notable contributions include C\$104,799 to Habitat for Humanity Halton/Mississauga, C\$101,288 to Habitat for Humanity Canada, and C\$22,306 to Habitat for Humanity Edmonton.

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 FY2024, we produced 38,718 tonnes of recycled paper, effectively conserving a total of 658,155 trees.

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 116,145 m³ of landfill space in 2024.

In 2024, we used 47,803 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.

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 six members, of which four are independent non-executive directors and one is a female director.

Our board of directors consists of:

- Tong Kooi Ong, Executive Chairman and Executive Director
- Tong Ian, Chief Executive Officer and Executive Director
- Lai Ven Li, Lead Independent Director
- Moey Weng Foong, Independent Director
- Andrew Lim Cheong Seng, Independent Director
- Kevin Kang Kah Wee, 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 10 April 2025