



# **SUSTAINABILITY REPORT 2018**

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## **Message from the Board**

Dear Stakeholders, on behalf of the board, I am pleased to announce the publication of our 2018 Sustainability Report ("SR") of Avarga Limited (the "**Company**", and together with its subsidiaries, the "**Group**" or "**Avarga**") which is our second SR. It is prepared with reference to the Global Reporting Initiative ("**GRI**") Standards 2016: Core Option and in alignment with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rules – Sustainability Reporting Guide, in relation to the financial year ended 31 December 2018 ("**FY2018**").

FY2018 has been a fruitful year for us as we continue to record satisfactory performances despite the challenging economic situation. As such, we believe in adaptability and resilience to the ever-changing conditions. We believe that these factors are necessary in creating a sustainable growth environment.

Our core products such as paper and power have always been essential to mankind and its uses have accelerated since the industrial revolution. As such, sustainability of this essential resource has never been so highly discussed in today's age. At Avarga, our stakeholders can be rest assured that the procurement of resources, materials and energy generates the smallest impact to the environment and the local community. This demonstrates our unwavering support and commitment of sustainability to our stakeholders.

We have business operations and assets that span across Malaysia, Myanmar and Canada. Our core businesses include paper manufacturing, power generation and building materials distribution in these places. With an employment of more than 600 staff and a total annual revenue of \$1.5 billion, our stakeholders can be assured that we are well poised in our current position to tackle any challenges that lie ahead, 2019 and beyond.

As part of our strategic formulation process, the board have determined the material Environmental, Social, and Governance ("**ESG**") factors and have overseen the management and monitoring of the relevant ESG factors. The material factors chosen are strategically chosen, and have the largest impact on our shareholders.

## Report Background

Avarga have always considered sustainability to be paramount in our direction to move forward as a company, and thus this report serves as a form of transparency to our relevant stakeholders.

<p><b>Reporting Boundaries and Standards</b></p>	<ul style="list-style-type: none"> <li>• <b>Materiality:</b> focusing on issues that impact business growth and are of utmost importance to stakeholders;</li> <li>• <b>Stakeholder Inclusiveness:</b> responding to stakeholder expectations and interests;</li> <li>• <b>Sustainability Context:</b> presenting performance in the wider context of sustainability; and</li> <li>• <b>Completeness:</b> including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Group's performance.</li> </ul>
<p><b>Report Period and Scope</b></p>	<p>This report covers data and information from 1 January 2018 to 31 December 2018 and discusses the Group's achievements and performance towards Environmental, Social and Governance issues.</p> <p>We have not sought external assurance for this report.</p>
<p><b>Accessibility &amp; Feedback</b></p>	<p>The Group continues to print only limited copies of this sustainability report as part of our environmental conservation efforts. Current electronic editions of the report are available at: <a href="http://www.avarga.com.sg/investor-relations/sustainability-reports/">http://www.avarga.com.sg/investor-relations/sustainability-reports/</a></p> <p>We are committed to listening to our stakeholders and we look forward to your feedback. Please send your feedback and enquires to: <a href="http://www.avarga.com.sg/contact-us/">http://www.avarga.com.sg/contact-us/</a></p>



## **Organisation Profile**

Avarga Limited (“**Avarga**” and together with its subsidiaries, the “**Group**”) are an established investment holding company that specialises in the optimisation of return of equities through building sustainable value to our shareholders. We build business models that are long-term, focusing on competitive advantages, good management and innovation.

Headquartered in Singapore and listed on the mainboard of the SGX Exchange since 1980 under the ISIN code of SG1K55001665, we have three core businesses and operate in 5 countries. These businesses generate sustainable cash flows, progressively diverting into other investments. Our three main businesses are as follow:

### **Paper Manufacturing (Malaysia)**

The Group's pulp and paper mill in Ijok, Malaysia (UPP Pulp & Paper (M) Sdn Bhd), is one of the five largest in Malaysia, producing almost 10% of Malaysia's domestic output of brown packaging paper. We produce industrial grade papers such as Testliner, Corrugated Medium, Chip Boards, just to name a few. Our paper mill is one of the most cost-efficient in the country, and in 2015, we have invested another RM2.4 million to increase capacity and operational efficiency.

### **Power Generation (Myanmar)**

Our power plant in Myanmar is one of Myanmar's first foreign-owned independent power producers and accounts for almost 2% of the local total power generation. Located in Ywama, Insein township, 25km northeast of Yangon, Myanmar, our 50MW gas-fired power plant is contracted to sell a minimum of 350 million kilowatt hours (“**kWh**”) per year for a duration of 30 years to the Myanmar Government. As electrification rates in Myanmar remains low, the appetite for power consumption will continue to grow as the country develops and industrialises.

### **Building Materials Distribution (Taiga, Canada)**

Taiga Building Products Ltd. (“**Taiga**”) is Canada's largest wholesale distributor of building materials such as lumber, panels, moulding, sidings, engineering wood flooring and many others, and has an annual sale of over C\$1.4 billion. As Canada has a low population density and large land mass, the wholesale distribution model is essential to Taiga and the Group. Our customers include Home Depot, Lowe's, Rona, and Home Hardware and collectively they have total sales of more than C\$150 billion annually, with an outreach of more than 5000 stores in just Canada alone.

## **Organisation Profile (Cont'd)**

*“Our dream is to build Avarga to become an effective investment vehicle, finding opportunities where we have the capabilities to build value upon it. We also hope investors of Avarga, both large and small, will be able to capitalise on our deliveries with minimum transactional costs and friction, and with total transparency of our actions.”*

- Our mission plan and dream for Avarga

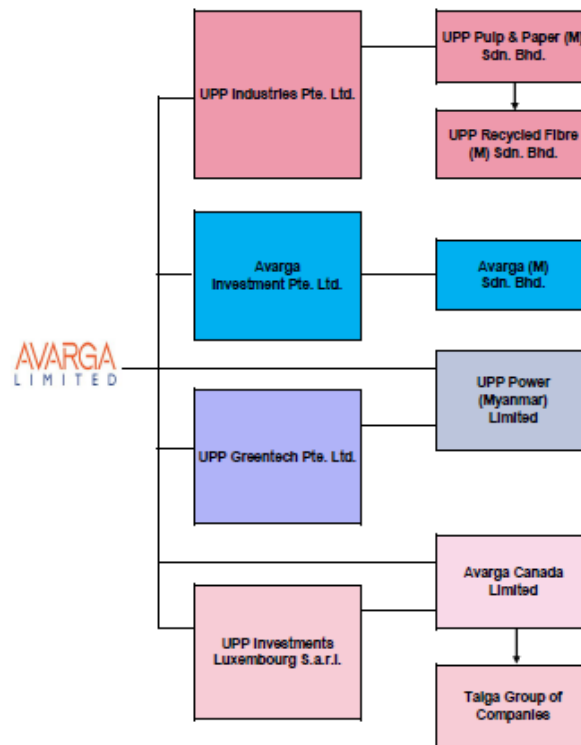
## **Corporate Structure and Investments**

Currently, the Group invests in three main businesses, which are paper manufacturing, power generation and building material distribution. We invest in businesses and assets where we can add value to, which allows us to have healthy investment returns for our stakeholders.

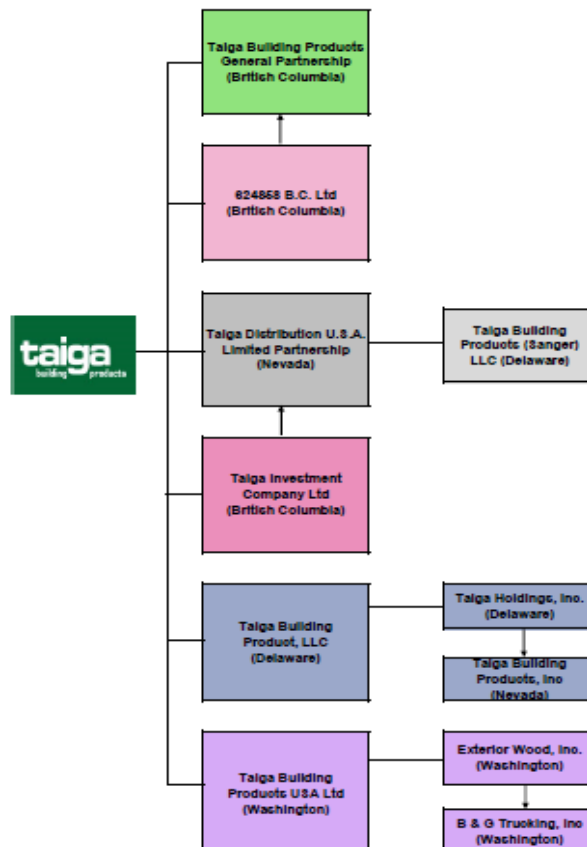


## Organisation Profile (Cont'd)

### CORPORATE STRUCTURE



### Taiga Group of Companies



## **Organisation Profile**

### **Board of Directors**

Tong Kooi Ong (Executive Chairman, CEO)  
Tong Ian (Executive Director, Operations and Building Materials Distribution)  
Gary Ho Kuat Foong (Independent Director)  
Ng Shin Ein (Independent Director)  
Dato' Seri Kalimullah Bin Masheerul Hassan (Independent Director)  
Garson David Lee (Independent Director)  
Chan Lay Hoon (Non-Executive, Non-Independent Director)

### **Nominating Committee**

Dato' Seri Kalimullah Bin Masheerul Hassan (Chairman)  
Gary Ho Kuat Foong (Member)  
Ng Shin Ein (Member)

### **Remuneration Committee**

Ng Shin Ein (Chairman)  
Dato' Seri Kalimullah Bin Masheerul Hassan (Member)  
Garson David Lee (Member)

### **Audit and Risk Management Committee**

Gary Ho Kuat Foong (Chairman)  
Ng Shin Ein (Member)  
Dato' Seri Kalimullah Bin Masheerul Hassan (Member)  
Garson David Lee (Member)  
Chan Lay Hoon (Member)



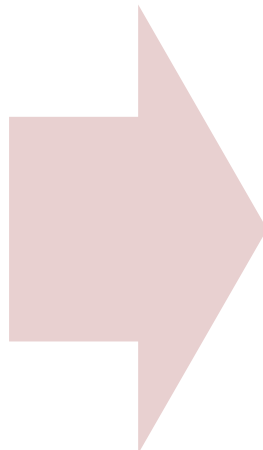
## **Organisation Profile (Cont'd)**

### **Materiality Assessment**

#### **MATERIALITY ASSESSMENT**

In 2017, an extensive list of ESG topics – generated through internal interviews with senior management and benchmarking of selected peers – were ranked.

Following that, the top 4 material topics were presented to and approved by the Board.



#### **REVIEW**

In 2018, the material topics were reviewed to ensure their continued relevance and then aligned across all business divisions and have included another 3 more material topics. We will review the material topics again in subsequent reporting periods to ensure that the material sustainability topics continue to be important and relevant.

## **Organisation Profile (Cont'd)**

### **Supply Chain Management**

Our suppliers are extensively sourced and stringently evaluated to ensure that they meet the relevant specific guidelines that is in place, following the mission plan of the Company. We aim to source only from ethical, responsible and cost-effective suppliers and minimise the potential disruptions, such as the provisions of raw materials in the supply chain.

Machinery parts and scrap materials used for our paper mill in Malaysia are sourced extensively to ensure that they are equipped with the latest technology to increase efficiency in brown paper production. New, more highly energy efficient generators are also used in our power plant in Myanmar, to ensure efficient gas utilisation and that energy generated does not go to waste.

Our building materials distribution in Canada, Taiga are relatively resilient in growth and revenue due to our strategic management planning, which includes Taiga's growing market share, addition of more products into our distribution channel, expansion of our exports, especially to places such as China, and more proactive trading.

Looking ahead, the Group will continue to procure and seek out new and innovative ways to better manage its suppliers, resources and end products.

### **Memberships and Associations**

#### **UPP Pulp & Paper (M) Sdn Bhd**

- Malaysia Pulp and Paper Manufacturers Association
- Federation of Malaysia Manufacturers

#### **Taiga Building Products Ltd.**

- Western Retail Lumber Association (WRLA)
- American Wood Preservers Association (AWPA)
- Canadian Wood Council (CWC)

## **Organisation Profile (Cont'd)**

### **External Initiatives**

The Group believes in contributing towards driving positive and sustainable changes for the benefit of the local communities where we operate and the society as a whole.

At present, our Corporate Social Responsibility efforts are largely focused on Myanmar, where we see room to help improve living and education standards.

In our FY2017 SR, we reported that we identified a government primary school near our power plant, namely No. 16 Basic Education Primary School, Insein Township, Yangon. In 2015, we replaced two-thirds of the school's old furniture with new desks and chairs to accommodate some 200 pupils per session. In 2016, we took a major step to further improve conditions for the school. We spent US\$50,000 to construct a new 900 sq ft air-conditioned multi-media hall, and equipped it with 31 sets of new computers, accessories, desks and chairs. We hope to equip the pupils with better computer and literacy skills and at the same time, help cultivate a stronger learning culture.

In 2017, we identified another government school that was in need of funds for repair, No. 149 Basic Education Post-Primary School in Kanyatgyi Village, Kanma Township, Magway Region. The school which is located some 400 miles from Yangon, has 177 students aged 5 to 13. We have completed the construction of a new 2,700 sq ft school building.

We are pleased to report that in 2018, we have donated US\$8,000 to No. 16 Basic Education Primary School, Ywama, Insein Township, Yangon Region for the construction of the school hall and meal area. We also gave all 830 students of the school a set of uniform, books, and a school bag. Additionally, we have also donated a set of uniform, books and school bags for each of the 203 students of No. 149 Basic Education Post-Primary School in Kanyatgyi Village, Kanma Township, Magway Region.



## **Organisation Profile (Cont'd)**

### **Governance and Sustainability**

The Board of Directors (the “**Board**”) of Avara are committed to maintaining good corporate governance to enhance and safeguard the interest of its stakeholders. The Company has complied with the principles and guidelines of the Code of Corporate Governance 2012 and the disclosure guide developed by the SGX-ST in January 2015 (the “**Guide**”) where appropriate. The Group always has the aim of protecting the interests of our stakeholders, and to minimise our environmental footprint on the environment. We have established policies for and have put in place procedures in relation to conflict of interest.



### **Conflict of Interest Policy**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that such transactions are reviewed and approved by senior executives, Audit Committee and/or the Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

### **Whistleblowing**

Our organisation has in place a policy to highlight any inappropriate behaviour among our employees in order to maintain our high ethical standards of accountability, reliability and honesty for our stakeholders at all times. We have a channel for both employees and external parties to raise concerns and issues in good faith on possible corruption, suspected fraud and other non-compliance issues, a dedicated hotline and email address allows whistle blowers to contact the Audit Committee directly, details of which can be found on the corporate website at: <http://www.avarga.com.sg/about-us/corporate-governance/>

Information received pertaining to whistle blowing will be treated with confidentiality and restricted to the designated persons-in-charge of the investigation to protect the identity and interest of whistleblowers.

## Stakeholder Engagement

The core of the Group's sustainability practices is the understanding of the needs of our stakeholders. We engage key internal and external stakeholders to understand and examine the ESG factors that are important to them. We actively interact with our stakeholders through various channels and encourage feedback from them to promote fair and open communications with our stakeholders. Our key stakeholder groups and the engagement platforms are summarised below:

Stakeholder Group	Engagement Activities	Stakeholder's Expectations
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Customer helpdesk</li> <li>• Hosting of customer feedback sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Pleasant and efficient customer support</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Maintain and develop current and new business dealings</li> <li>• Fair and appropriate quotations</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent and reliable communication between both parties</li> <li>• Ethical sourcing of raw materials</li> <li>• Feedback from suppliers</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Induction and Orientation Programmes</li> <li>• Employee surveys</li> <li>• Staff appraisals</li> </ul>	<ul style="list-style-type: none"> <li>• Staff welfare and benefits</li> <li>• Employee rights</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Annual meetings</li> <li>• Circulation of annual reports and financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency from board and management</li> </ul>
<b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>• Maintain a good working relationship with authorities and regulators</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with all law and regulation guidelines</li> <li>• Timely reporting of issues</li> </ul>



## Material Topics

The material topics identified are based on the GRI framework and the degree of significance on our stakeholders. After gaining insightful feedback from our stakeholders such as sustainability and changes in global outlook, we have identified these factors we believe are material and should be prioritised. These topics and their corresponding performance, commitments and targets will continue to be reviewed periodically to ascertain its relevance to our business.

For FY2018, we have included another **3** material topics in addition to the 4 material topics chosen for FY2017, and they are **Training and Education, Environmental Compliance and Socioeconomic Compliance**.

Topic	Relevance and Impacts	Reference	Commitments and Targets
<b>Economic Performance</b>	Applies to the Group, where the economic performance of the Company has direct impact to our stakeholders and shareholders, as they all look to the economic performance and value generated to the local communities where the business operates.	<ul style="list-style-type: none"> <li>Annual Report 2018</li> <li>Sustainability Report 2018 page 15</li> </ul>	<ul style="list-style-type: none"> <li>Continue to apply to the local employment laws and regulations.</li> <li>Ensure that training programmes are available and accessible for the employees</li> </ul>
<b>Anti-Corruption</b>	Measures in place to ensure that the Company adheres strictly to the laws and regulations of the appropriate authorities. This allows our stakeholders and shareholders to have a peace of mind when engaging our services.	<ul style="list-style-type: none"> <li>Sustainability Report 2018 page 16</li> </ul>	<ul style="list-style-type: none"> <li>Continue to comply with the relevant rules and regulations</li> </ul>
<b>Employment</b>	Applies to the hiring departments of the Group, to ensure that all hiring of all employees follow the local employment laws and regulations. The Group should also ensure that employment of employees is based on merit, without any form of biasness.	<ul style="list-style-type: none"> <li>Sustainability Report 2018 page 17</li> </ul>	<ul style="list-style-type: none"> <li>Continue to apply to the local employment laws and regulations.</li> <li>Ensure that training programmes are available and accessible for the employees</li> </ul>
<b>Occupational Health and Safety</b>	As the safety and the lives of our employees are our top priority, the company takes direct measures are taken in place such as ensuring that the workplace is safe to work in, and medical coverage is available to all employees. This allows our employees to have a piece of mind when they go about their everyday work.	<ul style="list-style-type: none"> <li>Sustainability Report 2018 page 20</li> </ul>	<ul style="list-style-type: none"> <li>Continue to comply with the strict laws and regulations</li> <li>Ensure that all employees have a comprehensive insurance and medical coverage.</li> </ul>

## Material Topics (Cont'd)

Topic	Relevance and Impacts	Reference	Commitments and Targets
<b>Training and Education</b>	Relevant and updated training programs are available for all staff and employees. This is so that they have the relevant skills for their relevant jobs, and thus able to service the stakeholders with utmost professionalism.	<ul style="list-style-type: none"> <li>Sustainability Report 2018 page 23</li> </ul>	<ul style="list-style-type: none"> <li>All employees to be properly trained and have the relevant skill sets for their relevant professions.</li> <li>Management to ensure that all departments have approved forecasts and budgets to ensure that all employees are allowed to have the opportunity to undergo relevant courses and to be properly trained.</li> </ul>
<b>Environmental Compliance</b>	Applies to the measures in place to protect and safeguard the environment, during the procurement or resources and discharge of waste materials. Strict adherence to local environmental laws and regulations is a must at all times.	<ul style="list-style-type: none"> <li>Sustainability Report 2018 page 24</li> </ul>	<ul style="list-style-type: none"> <li>Continue to comply with the relevant environmental laws and regulations</li> </ul>
<b>Socioeconomic Compliance</b>	Measures in place to ensure that there are no significant fines incurred by the Company, and that the company is in full compliance with the laws and regulations in place, and impact to stakeholders negligible and non-adverse.	<ul style="list-style-type: none"> <li>Sustainability Report 2018 page 25</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement and outreach events to be in place to help the less fortunate.</li> </ul>

## Economic Performance

In the financial year (“FY”) ended 31 December 2018, our group is pleased to announce that we achieved total revenue of approximately S\$1572.7 million, a substantial 8% increase compared to FY 2017. The net profit after income tax for FY 2018 increased by S\$5.19 million or 35%, amounting to approximately S\$20.1 million.

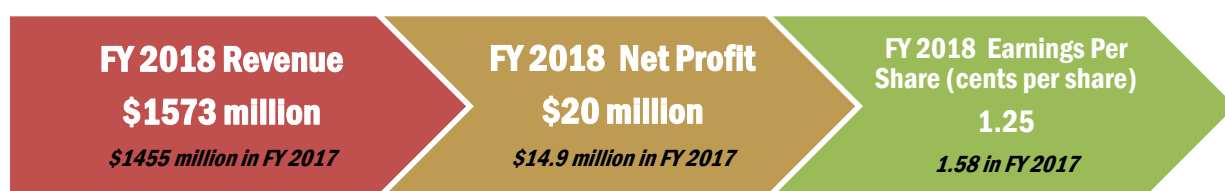
At Avarga, we strive to deliver sustainable long-term value for our stakeholders. We are achieving this by maintaining significant positions in our respective core markets. We invest heavily in our entities in Malaysia, Myanmar and Canada, giving both the financial support and administrative support necessary. This is to ensure we firmly plant ourselves as pioneers and forerunners in their respective businesses.

Innovation is central in our businesses, and central to maintain sustainable value creation. We are continuously leveraging on innovation to deliver value through efficiency, such as in our paper manufacturing plant in Malaysia, where we continue to invest in upgrading our machinery which reduces the cost of maintenance and increases output with the same given level of energy used.

We have also invested heavily into sourcing for new vendors for building materials for Taiga. This ensures that we have a reliable stream of suppliers to weather any possible economic challenges that we might potentially face, and also to have a first mover’s advantage in any potential new market situations. This can be seen in our FY2018 metrics, where we outperformed our results for FY2017.

We aspire to become a successful investment vehicle, to find and invest into profitable new opportunities. We strive to achieve similar results for FY2019 and beyond.

FY 2018 Financial Highlights:



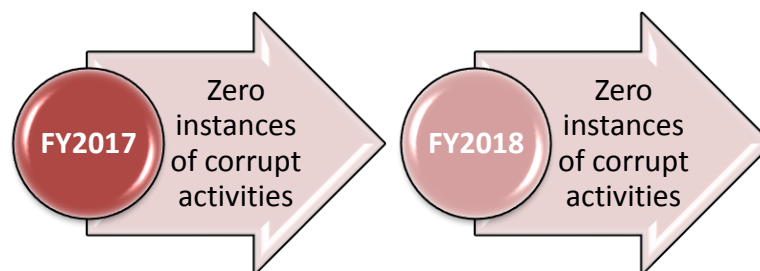
Further details on our economic value can be found throughout the Annual Report. An overview can be found from Page 7 to 10, whilst the Group’s financial statements can be found on pages 62 to 160.

## Anti-Corruption

We believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders and stakeholders. The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity in compliance with the law, regulations and Group policies.

We take a strong stance against corruption within our Group, corporation and employees and will not hesitate to punish those found guilty effectively and efficiently.

The Company also has in place a whistle-blower policy which allows stakeholders to raise concerns about possible improprieties which may adversely affect our operations via online to our whistle-blower contact. We are proud to announce that in FY2018, we have no reported instances of corrupt activities across our different business divisions, which was the same as FY2017.



## Employment

Our employees are the most valuable asset in our Group. They contribute to the growth of our business by fulfilling our customers' diverse needs and meeting our operational targets. As such, we take into great care and are mindful of our people's well-being and strive to create a conducive and pleasant working environment for all.

For our 2018 Sustainability Report, we will mainly be focusing on the reporting and changes for UPP Pulp & Paper (M) Sdn Bhd, and the reporting for Taiga Buildings Products Ltd.. Our power plant operations in Myanmar are largely outsourced through a long-term Operations & Maintenance ("O&M") contract with Myan Shwe Pyi Tractors Ltd, the official dealer for Caterpillar in Myanmar.

### Our Workforce

The table below shows the changes in staff strength from FY2017 to FY2018 for UPP Pulp & Paper (M) Sdn Bhd:

Description/Year	FY2018	FY2017
New Hire (Under 30 years old)	14	3
New Hire (Over 30 years old)	9	19
Resigned/Terminated (Under 30 years old)	8	19
Resigned/Terminated (Over 30 years old)	11	16
Turnover rate (%)	12	22
Total Staff Strength	165	157

In addition, the table below shows our staff strength for Taiga Building Products Ltd. for FY2018:

Description	FY2018
New Hires (Below 20 Years Old)	3
New Hires (Between 20-55 Years Old)	56
New Hires (Over 55 Years Old)	6
Resigned/Terminated (Below 20 Years Old)	8
Resigned/Terminated (Between 20-55 Years Old)	69
Resigned/Terminated (Over 55 Years Old)	13
Turnover rate (%)	27
Total Staff Strength	448



## **Employment (Cont'd)**

The decrease in turnover rates and the increase in retention and hiring rates for staff of the different age groups for UPP Pulp & Paper (M) Sdn Bhd are a testament to the policies we have implemented in FY2018 to make our employees feel valued, treasured and have a sense of self-worth for themselves.

Our success would not have been possible without the efforts of our dedicated employees, and strong collaborative relationships between employees and staff. We recruit dynamic individuals with diverse backgrounds and are committed to providing our employees with equal opportunities to achieve their full potential.

### **Appraisals and Evaluation**

All employees and staff will go through an annual appraisal for assessment and evaluation, so that the Group is able to recognise the contributions and talents of its employees and staff. This is to acknowledge the talents of its staff, and to further develop their skills and holistic well-being via trainings, promotion or workshops.

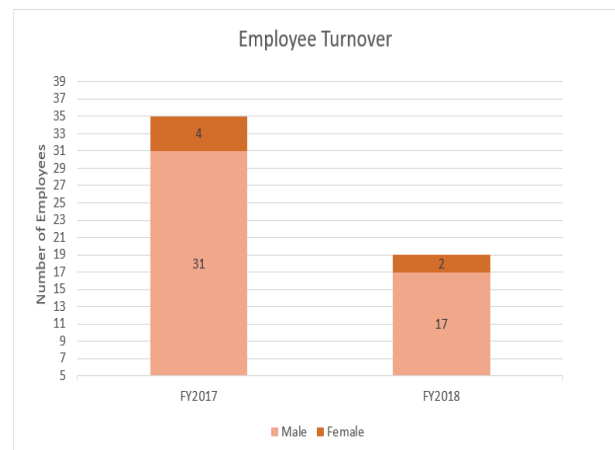
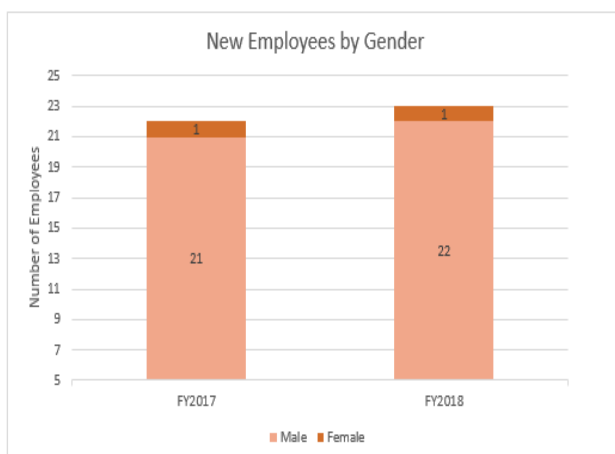
The Group treasures talent, and hope to retain productive employees with the necessary skills and the right attitude.

### **Diversity and Fair Practices**

The Group's employees and staff are its most valuable assets. The Group hires based on talent rather than class privilege and wealth. The Group employs the best talent for the job, and also ensures that there is a healthy mix of men and women in the workplace.

### **New Employee Hires and Employee Turnover**

*\* Data covers UPP Pulp & Paper (M) Sdn Bhd only*



## **Employment (Cont'd)**

### **New Employee Hires and Employee Turnover (Cont'd)**

The Group also maintains a two-way communication with all its employees and staff through emails and phone calls in order to acknowledge any feedback from its staff and employees, and vice versa, so that it can improve from these feedbacks/suggestions and build a better working environment for all.

The Group aims to foster an excellence culture. Our employees are passionate, committed, and excel in what they do. In return, we recognise their efforts and encourage a culture of collaboration. The talent and motivation of our 632 employees across our various business units are the foundations for our success. Implementing a strong, common culture and purpose across the Group remains the main priority of our management team.

## **Occupational Health and Safety**

The Group has always strived to reinforce health and safety, which is of the highest paramount. It is always committed to upholding the stringent and rigorous standards of Occupational Health and Safety (“OHS”), and ensuring that a culture of health and safety is integrated throughout the Group and its stakeholders.

### **Organisation Safety**

The Group’s OHS-related policies are set out to create a healthy and safe environment for all its employees to work in. At the Group level, the Company has adopted policies such as fire protection, hygiene and sanitation in handling equipment to ensure that there will be no cross contamination in its paper mill or paper processing plants. Insurance, paid for by the Group to all employees and staff is also made available to them as well. The Group strives to conform to international recognised standards and codes such as OHSAS 18001 as well as comply with local legislation relating to health and safety.

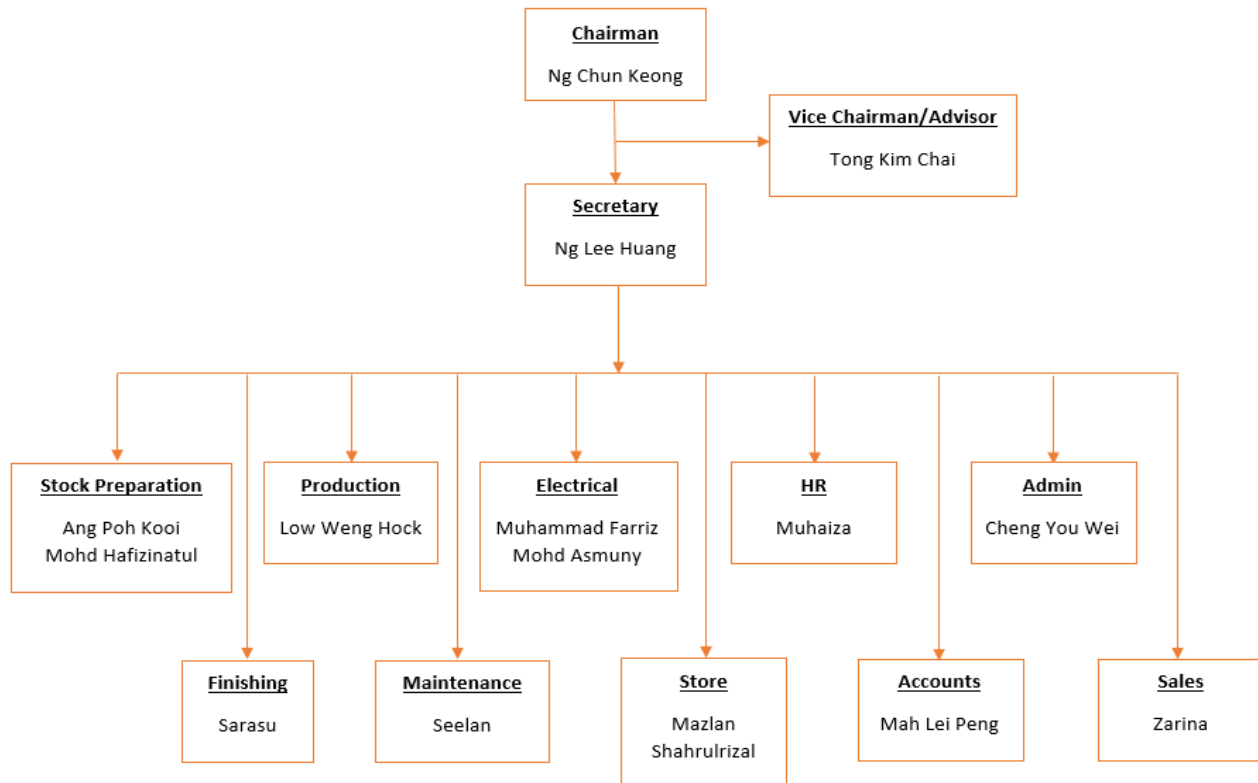
In addition, there the Group also mandates that proper Personal Protective Equipment (“PPE”) are to be worn by staff at all time as long as they are handling heavy equipment and operating machinery.

We place great importance to accident reports. Any injury suffered by employee, no matter how serious it is, must be immediately reported to their manager or supervisor. The manager or supervisor will assess the severity of the accident and will decide on the appropriate action to be taken. It is compulsory for all incidents to be documented, reported and submitted to management.

We have also established a safety committee for UPP Pulp & Paper (M) Sdn Bhd to overlook safety requirement and all incidents in the workplace, which includes feedback channels and safety and health meetings. In addition, feedback channels are set up for safety and health complaints, suggestions from the employees. The input and safety matters are discussed in safety and health meetings held periodically. Led by our committee chairman, Mr. Ng Chun Keong, this ensures that management is well aware of the incidents that occur and we work actively to reduce or eliminate them. Please refer to the chart on the next page detailing the structure of our safety committee:

# Occupational Health and Safety (Cont'd)

## Organisation Safety (Cont'd)



We are pleased to announce that during FY2018, there were no serious accidents or fatal injuries suffered by our employees and staff, and an improvement in injuries and lost days statistics (for UPP Pulp & Paper (M) Sdn Bhd) as compared to the outcome for FY2017. In current year, there was a total of 6 reported injuries for employees of UPP Pulp & Paper (M) Sdn Bhd (please find comparison details in next page) and 8 injuries for employees of Taiga Building Products Ltd..

We will continue to identify and address potential hazards and risks at the workplace to realise zero fatalities related to health and safety issues in FY2019, and no incidents of non-compliance to workplace health and safety regulations.



## Occupational Health and Safety (Cont'd)

### Organisation Safety (Cont'd)

Please refer to table below for number of Occupational Accidents in the FY2018:

No	Types of Injuries <sup>(a)</sup>	Malaysian		Foreign Workers	
		Number of Employees	Lost Day Rate <sup>(b)</sup>	Number of Employees	Lost Day Rate <sup>(b)</sup>
1	Lacerations/cuts	3	9.20	1	2.42
2	Sprains/strains	1	45.50	1	1.45
3	Fractures	-	-	-	-
4	Burns (heat)	-	-	-	-
5	Bruises	-	-	-	-
<b>Total</b>		4	54.70	2	3.87

As compared to accidents in the FY2017:

No	Types of Injuries <sup>(a)</sup>	Malaysian		Foreign Workers	
		Number of Employees	Lost Day Rate <sup>(b), (c)</sup>	Number of Employees	Lost Day Rate <sup>(b), (c)</sup>
1	Lacerations/cuts	2	15.77	2	14.25
2	Sprains/strains	1	39.17	-	-
3	Fractures	-	-	3	48.84
4	Burns (heat)	1	4.07	-	-
5	Bruises	-	-	1	6.10
<b>Total</b>		4	59.01	6	69.19

<sup>(a)</sup> Data covers UPP Pulp & Paper (M) Sdn Bhd only.

<sup>(b)</sup> Lost Day Rate is calculated as number of lost working days x 200,000 hours over total hours worked.

<sup>(c)</sup> The statistics were restated due to the variances in the 2017 statistics that were submitted to Management and included in the preparation of the 2017 Sustainability Report.



## **Training and Education**

At Avarga, we believe in ensuring that our employees are adequately trained and kept relevant of any updates and advances in their specific and relevant job positions. Every new employee must go through an orientation programme to familiarise themselves with their job position and embrace the company culture. This ensures that they are able to perform their jobs efficiently and effectively.

We have developed human resource policies that promote planned and comprehensive training for all employees so that they can meet and exceed performance standards. The Group also encourages its employees to take ownership of their skills development and learning. We set aside a fund for our employees to attend courses and seminars to improve their personal and work skills. Our employees also undergo regular performance feedback and guidance with their supervisors and managers during the course of their employment to allow their supervisors to highlight areas for improvement and to commend employees where they have excelled.

Staff are given both orientation training and adequate on-the-job training to upgrade or to reinforce their specific skill sets at work in anticipation in the ever-changing and dynamic industry.

As our employees are our greatest assets, we also believe that employee well-being is essential towards the daily functionality of the Company. We believe that our employees must be healthy and happily engaged at work for them to maximise their potential and productivity. Our employees enjoy a comprehensive work benefits package which includes health screenings and medical insurance coverage.



## **Environmental Compliance**

We as a group are sensitive to the environmental impact across our business operations, and are committed to taking steps to reduce the impact, especially in the waste generated and Greenhouse Gases ("GHG"). Energy consumption used is managed and monitored by our various business units worldwide.

### **Policies and Practices**

The Group's Environmental Preservation Policy is designed to make sure that the operations in which the Group has a stake in are carried out in mind of preserving the environment. We comply with all environmental rules and regulations that are required by the relevant local authorities.



We are also constantly looking to improve our policies and practices to go over and ensure that we minimise our environmental impact. Practices such as the introduction of segregation of waste materials from our paper mill in Malaysia, and reducing the amount of plastic packaging that we use on our building materials for our building materials distribution business for Taiga. This in turn will improve the efficiency of waste removal, encourages recycling and conservation of resources.

Additionally, Taiga is committed to operating its facilities in an environmentally responsible manner, as well as in compliance with federal, state, provincial, local environmental and occupational health and safety laws and regulation, including requirements relating to air emissions, storage and handling of chemicals and hazardous substances, wastewater and storm water discharge, ownership and operation of underground storage tanks and clean-up of contaminated soil and groundwater. Management believes that Taiga is in material compliance with such applicable laws and regulation. All three of Taiga's "*Envirofor Preservers*" treating plants have achieved the highest standard in Canada by being certified by Environment Canada and Wood Preservations Canada.

We are proud to announce that as of FY2018, there were no instances in the Group being penalised for any non-compliance of any environmental rules and regulations.

## Socioeconomic Compliance

The Group adheres to the law and regulations that are in place by the local authorities. We believe that the honesty, integrity and vigilance of our employees evidences the effectiveness of our training and responsible culture. The Group is committed to work closely with government agencies and regulators to comply with the statutory and regulatory requirements in the regions which the Group operates.

Management is committed to make regular periodic reports and update to the relevant local and foreign government authorities in the regions that the Group operates.

We have zero tolerance for any financial crime including corruption and bribery. We seek to conduct our business in a responsible manner by ensuring that our policies and code of conduct are implemented and communicated to all our employees, business partners and board members consistently throughout our entire global operations.

We are proud to announce that in FY2018, we have no reported instances of corruption activities across our different business divisions.



# Global Reporting Initiative (GRI)

## Content Index

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
<b>GENERAL DISCLOSURE</b>	
<b>Organizational Profile</b>	
102-1 Name of the organisation	Page 2
102-2 Activities, brands, products, and services	Page 4
102-3 Location of headquarters	Page 4
102-4 Location of operations	Page 4
102-5 Ownership and legal form	Page 6
102-6 Markets served	Page 4
102-7 Scale of the organisation	Page 2
102-8 Information on employees and other workers	Page 17-19
102-9 Supply chain	Page 9
102-10 Significant changes to the organisation and its supply chain	No significant changes
102-11 Precautionary principle or approach	Page 5
102-12 External initiatives	Page 10
102-13 Membership of associations	Page 9
<b>Strategy</b>	
102-14 Statement from senior decision maker	Not Applicable
<b>Ethics and Integrity</b>	
102-16 Values, principles, standards, and norms of behaviour	Page 5
<b>Governance</b>	
102-18 Governance structure	Page 7
<b>Stakeholder Engagement</b>	
102-40 List of stakeholder groups	Page 12
102-41 Collective bargaining agreements	Not applicable as all employees within the scope of this SR are not covered by collective bargaining agreements.
102-42 Identifying and selecting stakeholders	Page 12
102-43 Approach to stakeholder engagement	Page 12
102-44 Key topics and concerns raised	Page 15 -25
<b>Reporting Practice</b>	
102-45 Entities included in the consolidated financial statements	Page 6
102-46 Defining report content and topic boundaries	Page 3
102-47 List of material topics	Page 13 and 14
102-48 Restatements of information	Page 8
102-49 Changes in reporting	Not Applicable
102-50 Reporting period	Page 3
102-51 Date of most recent report	16 Nov 2018
102-52 Reporting cycle	Page 3
102-53 Contact point for questions regarding the report	Page 3
102-54 Claims of reporting in accordance with the GRI Standards	Page 2
102-55 GRI content index	GRI content index
102-56 External assurance	Not Applicable

# Global Reporting Initiative (GRI)

## Content Index

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
MATERIAL TOPICS	
GRI 201: Economic Performance	
103-1 Explanation of the material topic and its boundaries	Page 15
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
201-1 Direct Economic value generated and distributed	
201-2 Financial implications and other risk and opportunities due to climate change	
201-3 Defined benefit plan obligations and other retirement plans	
201-4 Financial assistance received from government	
GRI 205: Anti-Corruption	
103-1 Explanation of the material topic and its boundaries	Page 16
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
205-2 Communication and training about anti-corruption policies and procedures	
205-3 Confirmed incidents of corruption and actions taken	
GRI 401: Employment	
103-1 Explanation of the material topic and its boundaries	Page 17-19
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
401-1 New employee hires and employee turnover	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
GRI 403: Occupational Health and Safety	
103-1 Explanation of the material topic and its boundaries	Page 20-22
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	



# Global Reporting Initiative (GRI)

## Content Index

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
MATERIAL TOPICS	
GRI 404: Training and Education	
103-1 Explanation of the material topic and its boundaries	Page 23
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
404-2 Programs for upgrading employee skills and transition assistance programs	
Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 307: Environmental Compliance	
103-1 Explanation of the material topic and its boundaries	Page 24
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
307-1 Non-compliance with environmental laws and regulations	
GRI 409: Socioeconomic Compliance	
103-1 Explanation of the material topic and its boundaries	Page 25
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
419-1 Non-compliance with laws and regulations in the social and economic area	

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