



AVARGA LIMITED

(Formerly known as UPP Holdings Limited)
(Incorporated in the Republic of Singapore)
(Company Registration Number: 196700346M)
(the “Company”)

RESPONSE TO SGX-ST QUERIES – ANNUAL REPORT FY2021

The Board of Directors (the “**Board**”) of Avarga Limited (the “**Company**”) refers to the queries raised by the Singapore Exchange Regulation Pte. Ltd. (“**SGX Regco**”) in connection with the Company’s annual report for the financial year ended 31 December 2021 (“**Annual Report**”), and wishes to respond to the queries as follows: -

Question 1

Listing Rule 710 requires issuers to explicitly state, when varying from any provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), to explain the reason for variation, and explain how the practices it has adopted are consistent with the intent of the relevant principle. In this regard:

(a) Provision 2.4 of the Code states that:

“The Board and Board Committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.”

With reference to page 24 of the annual report, please explain whether and how the Company has complied with Provision 2.4 of the Code.

If the Company has not complied with Provision 2.4 of the Code, please explain its reason(s) for varying from Provision 2.4 of the Code. Please also explain and explicitly state whether the practices it has adopted are consistent with the intent of Principle 2 of the Code.

Company’s response:

The Board recognises that a diverse Board enhances the decision-making process by utilising the variety in skills, industry and business experiences, gender and age and other distinguishing qualities of the members of the Board.

Diversity has been considered in determining the optimum composition of the Board so that, as a whole, it reflects a range of different perspectives, complementary skills and experiences, which results in better decision-making. Such diversity provides a wider range of perspectives, skills and experience, which allows Board members to better identify possible risks, raise challenging questions and contribute to problem solving. The Board currently has seven directors, of which two are female, two are executives, four are independent and one is non-independent and non-executive.

The Board (taking into account the views of the Nominating Committee) considers that its Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. These principles are outlined on page 21 of the Annual Report.

Accordingly, the Board is of the view that the practices adopted as described above and in the Annual Report are consistent with the intent of Principle 2 of the Code.

(b) Provision 8.1 of the Code states that:

“The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.”

We note the Company's disclosure on remuneration at pages 28 to 32 of the annual report for FY2021. Where the Company's practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response:

The Company has disclosed on pages 28 and 29 of its Annual Report the breakdown of the exact remuneration of the individual directors and the components of directors' remuneration (fees, salary, bonus and benefits in kind), top five key management personnel in bands no wider than S\$250,000 on no name basis and in aggregate the total remuneration paid to the key management personnel of the Group.

Taking note of the highly competitive industry conditions, pressure in the talent market and the sensitivity and confidentiality of remuneration matters, the Board decided not to disclose the remuneration of the top five key management personnel (who are not directors or the CEO) of the Group on a name basis. The Board is of the view that the disclosure of such information would not be in the interests of the Company as such information is confidential and sensitive, and may facilitate the solicitation of the key management personnel. The Company needs to maintain stability in the management team. This is set out on page 29 of the Annual Report.

The Company is of the view that there is sufficient transparency on its remuneration policies, level and mix of remuneration, procedure for setting remuneration, and the relationships between remuneration, performance and value creation, details of which are further set out under Principle 7 on pages 29 and 30 of the Annual Report. The Company has disclosed the remuneration framework adopted by the Company in arriving at the remuneration package of Directors and key management personnel, which is a performance-based approach linking rewards to individual and corporate performances and is aimed to be aligned with the long-term interest and risk policies of the Group. The Company believes that shareholders' interest will not be prejudiced as a result of non-disclosure of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 on a name basis. The disclosures in pages 28 and 29 of Annual Report provide sufficient insight into the remuneration paid and as such is consistent with the intent of Principle 8 of the Code.

Question 2

Please provide information on whether the head of the internal audit function team has the relevant experience and qualifications.

Company's response:

The internal audit function is carried out by persons with the relevant qualification and experience, is adequately resourced and has appropriate standing within the Company.

The internal audit function of the Company's significant subsidiary corporation, Taiga, is undertaken by the Internal Audit department, headed by the Manager of Internal Audit & Process Control. The head of internal Audit at Taiga graduated with a Bachelor of Business Administration degree from the University of the Fraser Valley in June 2009 and is a Chartered Accountant and a Chartered Professional Accountant. He joined Taiga in late 2019, in the current role. He has 13 years of experience as an auditor and internal auditor, having worked at companies such as PricewaterhouseCoopers and Paper Excellence/Catalyst Paper before joining Taiga.

BY ORDER OF THE BOARD

Tong Ian
Executive Director/Chief Executive Officer

29 April 2022