



**AVARGA LIMITED**

*(Formerly known as UPP Holdings Limited)*

(Incorporated in the Republic of Singapore)

(Company Registration Number: 196700346M)

A large, solid green circle is centered on the page. Inside the circle, the text "Sustainability Report 2017" is written in white, bold, sans-serif font, arranged in three lines.

**Sustainability  
Report  
2017**

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# ABOUT THIS REPORT

**Avarga Limited (formerly known as UPP Holdings Limited)** (“Avarga” or the “Company” and together with the group of companies, the “Group”), recognises the importance of the current practice of sustainability reporting. We hereby proudly present our first sustainability report which discusses the challenges and material issues that are important to our stakeholders, our strategy in managing these challenges and issues, and how we have performed in terms of our key performance indicators.

We adopt a formalised reporting approach by applying the international reporting framework, Global Reporting Initiative (“GRI”) Standards: Core options, the latest set of standards issued by the GRI Global Sustainability Standards Board, in preparing our first sustainability report.

We looked into using the principles of stakeholder inclusiveness, sustainability context, materiality and completeness to put together a comprehensive report. And for its quality, we have applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness. We have not sought external assurance for this report.

<p><b>Reporting Boundaries and Standards</b></p>	<ul style="list-style-type: none"> <li>• Materiality: focusing on issues that impact business growth and are of utmost importance to stakeholders;</li> <li>• Stakeholder Inclusiveness: responding to stakeholder expectations and interests;</li> <li>• Sustainability Context: presenting performance in the wider context of sustainability; and Completeness: 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 of the Company's financial year (“FY”) from 1 January 2017 to 31 December 2017 and discusses the Group's achievements and performance towards Environmental, Social and Governance (“ESG”) issues.</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 is available at: <a href="http://www.avarga.com.sg">http://www.avarga.com.sg</a> We are committed to listening to our stakeholders and we look forward to your feedback. Please send your feedback to: <a href="http://www.avarga.com.sg/contact-us/">http://www.avarga.com.sg/contact-us/</a></p>

# ORGANISATIONAL PROFILE

## ***Background***

Avarga was listed on the Main Board of the Singapore Exchange in 1980 and is an investment holding company with businesses in paper manufacturing, power generation, distribution of building materials and property investment holding. From its headquarters in Singapore, the Group's business operations and assets span across Malaysia, Myanmar, Singapore, Canada and the USA. Our 3 core businesses:

### *Paper Manufacturing (Malaysia)*

The Group's pulp and paper mill in Ijok, Malaysia, is one of the five largest in Malaysia, with annual capacity of 90,000 tonnes of paper. The plant produced almost 10% of Malaysia's domestic annual production of industrial brown paper, which are used to produce a wide range of paper packaging products, such as corrugated carton boxes.

### *Power Generation (Myanmar)*

In 2014, the Group's 50 MW independent power plant (IPP) project in Yangon, Myanmar commenced operations, and is one of the country's first fully-foreign owned IPPs. The plant supplies power to the national grid under a 30-year power purchase agreement with the state-owned Electric Power Generation Enterprise, under Myanmar's Ministry of Electricity and Energy.

### *Building Products Distribution (Canada)*

In 2017, the Group acquired a substantial stake in Taiga Building Products Ltd., which is listed on the Toronto Stock Exchange. Taiga is Canada's largest wholesale distributor of building materials, such as lumber, panels, mouldings, doors, engineered wood, roofing, insulations and others. It has 15 distribution centres across Canada, from Nanaimo in Vancouver Island in the west, to Paradise, Newfoundland in the east. Distribution sales into the USA are through 2 distribution centres in California and 6 reload stations in the states of Pennsylvania, New York, Michigan, Vermont and Illinois.

## ***Supply Chain Management***

As a responsible corporate citizen, we want to ensure that our suppliers conduct their businesses in an ethical and proper manner. Our Group policy ensures that evaluations for our suppliers are done on an annual basis to assess them based on factors such as quality, proficiency as well as adherence to local regulations.

# ORGANISATIONAL PROFILE

## ***Company Mission***

Our mission is to build shareholder value by delivering quality products, services and solutions in innovative and cost effective ways. The Group operates with a corporate philosophy of adhering to the highest ethical conduct in all its business dealings, treatment of its employees, and social and environmental policies. We also aim to optimise Return on Equities through building sustainable value for our shareholders. We build business models that are long-term, focusing on competitive advantages, good management and innovation.

## ***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.

We identified a government primary school near our power plant, No. 16 Basic Education Primary School, Insein Township. 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.

The multi-media hall has become the pride of the school and the community. With this, the school also has one of the most advanced facilities among government primary schools, despite being located in one of the economically poorer townships in Yangon.

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 are in the final stages of completing the construction of a new 2,700 sq ft school building.

Taiga has its own Corporate Social Responsibility activities in Canada. Details can be found in its annual reports.

# ORGANISATIONAL PROFILE

## ***Membership of Associations***

UPP Pulp & Paper (M) Sdn Bhd

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

## ***Board of Directors***

<b>Executive Chairman</b> <i>CEO</i>	- Tong Kooi Ong
<b>Executive Director</b> <i>Operations and Building Materials Distribution</i>	- Tong Ian
<b>Executive Director</b> <i>Paper Manufacturing</i>	- Koh Wan Kai
<b>Executive Director</b> <i>Investments and Power Generation</i>	- Khoo Hsien Ming, Kevin
<b>Independent Directors</b>	- Gary Ho Kuat Foong - Ng Shin Ein - Ong Pang Liang - Kalimullah Bin Masheerul Hassan - Garson David Lee

## ***Commitment to Corporate Governance***

We are committed to conduct our business activities in an ethical, socially and environmentally sustainable manner. We ensure that our business operations and processes are managed in a way that minimizes its impact on our environment. The Group recognises the importance of and is committed to ensuring a healthy and safe work environment for the well-being of our employees. Employees are also expected to maintain the highest standards of integrity and trust in all business relationships and dealings. The Group places great emphasis on accountability, transparency, ethical business conduct and good corporate governance.

We have formalised and established Code of Conducts for our employees and operations as well as a Whistleblowing Policy in 2013.

# SUSTAINABILITY APPROACH & STAKEHOLDER ENGAGEMENT

## ***Sustainability Approach***

We are committed to conduct our business activities in an ethical, socially and environmentally sustainable manner. We ensure that our business operations and processes are managed in a way that minimizes its impact on our environment. We recognise the importance to contribute to the environment. Therefore, our products produced under the Paper Mill segment use only recycled paper as raw materials. As a Group, we are also continually working towards maintaining a business which will contribute actively to local communities.

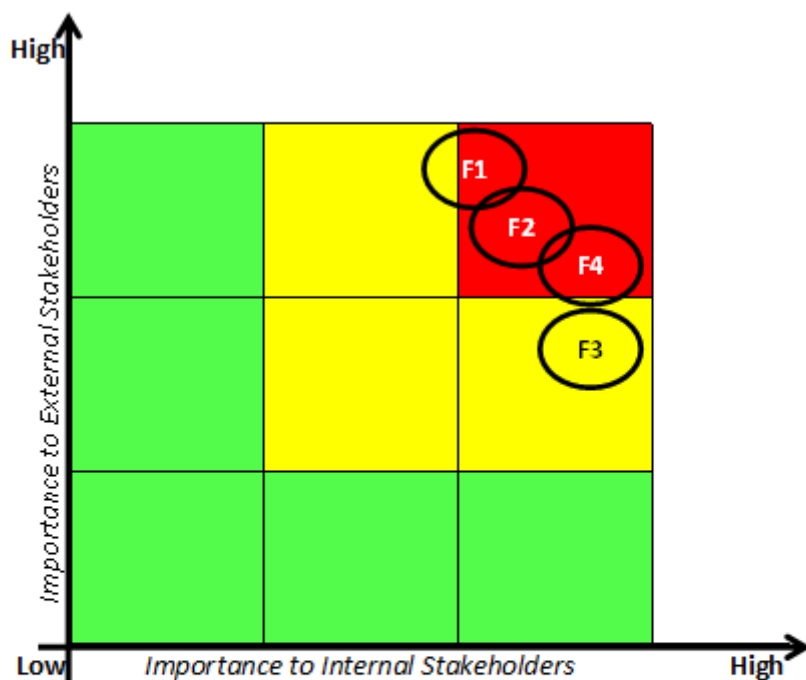
## ***Stakeholder Engagement***

The feedback arising from our stakeholder engagements, which includes inputs on our sustainability reporting and materiality, has helped us strengthen the relevance of our reporting and approach to managing the Group's material issues. We have engaged various groups of stakeholders via various channels as shown in the table below:

<b>Stakeholder Group</b>	<b>Engagement activities</b>
<b>Customers</b>	<ul style="list-style-type: none"><li>✓ Enquiry and feedback channels</li><li>✓ Customer service hotlines</li><li>✓ Direct customer meeting</li></ul>
<b>Suppliers</b>	<ul style="list-style-type: none"><li>✓ Quotations</li><li>✓ Periodic discussion</li><li>✓ Supplier evaluation</li></ul>
<b>Employees</b>	<ul style="list-style-type: none"><li>✓ Staff appraisals</li><li>✓ Internal memos</li><li>✓ Employee trainings</li></ul>
<b>Investors</b>	<ul style="list-style-type: none"><li>✓ Annual meetings</li><li>✓ Board meetings</li><li>✓ Circulars to shareholders</li></ul>
<b>Government &amp; Regulators</b>	<ul style="list-style-type: none"><li>✓ Discussions with government agencies and departments</li></ul>

# MATERIAL TOPICS

Based on feedback gathered from our internal and external stakeholders, we have evaluated and identified factors which would have significant economic, environmental and social impacts and are material to the organization and stakeholders. Our priorities are reflected in the Materiality Matrix below.



<u>Abbreviation</u>	<u>SR Factor</u>
F1	Economic Performance
F2	Anti-Corruption
F3	Employment
F4	Occupational Health & Safety

The material assessment is endorsed by the management committee. We review our material topics every year in the light of fresh stakeholder feedback and our own business goals. A more detailed discussion on the material topics, including management approach, how we evaluate the management approach and the topic boundary limitations, if any, is provided in the respective chapters of this report.



# ECONOMIC PERFORMANCE

In line with our aim to build sustainable value for our shareholders, it is imperative that we closely monitor the financial status of all our businesses. We acquired Taiga Building Products Ltd. in January 2017 which had a major impact on our revenue and profitability. This was due to its market positioning as Canada's largest independent wholesale distributor of building products. Referring to the table below, we can see that the Company has been growing steadily over the last 7 years, with some of the major catalysts being the acquisition of Taiga Building Products Ltd., the commencement of our Power Plant in Myanmar and improving earnings at our paper Manufacturing operations in Malaysia. Please refer to the FY2017 Annual Report for further information.

## Financial Highlights

	For the Financial Year Ended 31 December						
	2017	2016	2015	2014	2013	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	1,455,163	63,347	61,103	116,901	48,087	49,996	51,125
Pre-tax profit	25,148	13,144	13,255	9,694	1,489	2,423	(398)
Net profit	20,364	13,128	13,241	9,658	1,468	2,517	(445)
Total assets	505,146	190,104	188,970	189,026	182,087	183,141	129,255
Total equity	265,175	183,742	183,434	182,628	174,364	172,827	119,121
Net Earnings Per Share (EPS)	1.88	1.50	1.53	1.07	0.11	0.30	(0.11)

Profit/(loss) contributions by Paper Mill, Power Plant and Taiga

	For the Financial Year Ended 31 December						
	2017	2016	2015	2014	2013	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Segmental revenue</b>							
Paper mill (Malaysia)	54,257	50,048	49,157	47,847	46,797	48,723	49,861
Power plant (Myanmar)	11,732	13,299	11,946	68,327	-	-	-
Taiga (Canada)	1,389,174	-	-	-	-	-	-
Others	-	-	-	727	1,290	1,273	1,264
Total revenue	1,455,163	63,347	61,103	116,901	48,087	49,996	51,125
<b>Segmental pre-tax profit/(loss)</b>							
Paper mill (Malaysia)	8,338	7,880	6,371	4,915	3,765	3,767	1,366
Power plant (Myanmar)	6,887	8,141	7,834	6,292	-	-	-
Taiga (Canada)	18,497	-	-	-	-	-	-
Others	(8,574)	(2,877)	(950)	(1,513)	(2,276)	(1,344)	(1,764)
Total pre-tax profit/(loss)	25,148	13,144	13,255	9,694	1,489	2,423	(398)

## FY2018 Target

We hope to maintain and ensure our financial stability and continue generating positive returns to the Company's shareholders.

# 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. There was no reported incident of corruption in the reporting period.

## ***FY2018 Target***

The Group hopes to maintain its zero record in corruption cases, continues to cultivate anti-corruption environment and trainings for its employees.

# EMPLOYMENT

## ***Policies on Employment***

We hire a diversity of staff across all our various industries and countries. We have established policies and practices which we put in place to ensure a certain level of transparency and fairness for staff. As of December 2017, the Group had 635 employees across our main operations located in Malaysia, Canada, Singapore and Myanmar. For the purpose of Sustainability Report FY2017, we focus on certain employment statistics which covers only UPP Pulp & Paper (M) Sdn Bhd.

## ***Conditions of Work***

We ensure that we adhere to the maximum overtime hours allowed per staff with sufficient rest between work shifts. Where living accommodations are provided, the condition and quality of those provided are checked periodically. We also ensure that our plants and

factories are certified for top safety practices. All staff under UPP Pulp & Paper (M) Sdn Bhd receive wages that meet the legal and industry minimum standards, which are sufficient to meet the needs of the workers and their families.

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

For FY2017, we had 22 new employees for UPP Pulp & Paper (M) Sdn Bhd in the following breakdown:

<b>New Employee Hires sorted by Age Groups *</b>	
Under 30 Years Old	3
Over 30 Years Old	19

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

<b>New Employees *</b>		
	<b>Male</b>	<b>Female</b>
<b>Number of Employees</b>	139	18
<b>Number of New Employees</b>	22	1

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

Based on the table above, we can see that there is a gap in difference in genders which is due to the amount of labour work required in the factories for the Paper Manufacturing segment.

Turnover Rates *		
	Male	Female
Number of Resigned Employees	31	4
Under 30 Years Old	19	
Over 30 Years Old	16	

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

### ***FY2018 Target***

As a Group, we are looking to improve our policies and incentives in order to retain our employees and reduce turnover rates across all businesses.

## OCCUPATIONAL HEALTH & SAFETY

We have come up with initiatives in order to emphasise the importance of health and safety and also to ensure that we provide a safe, pleasant and comfortable work environment for our staff. To achieve this target, both management level staff and employees alike are required to continually commit our efforts so as to maintain minimal workplace safety and health issues. In line with our goal, we have also formalised a few Policies and are putting them to practice.

At each of our businesses, we have established an Occupational Health and Safety Committee and encouraged all members from the committee to be Certified Safety Officers in their respective fields. The main role of these committees is to deliberate and manage various issues with regards to the potential issues on Health and Safety. This includes the threats of diseases in the area and methods that we will put in action in order to counter such diseases should the need arise.

Since 2012, we have conducted safety audits at our mills, plants and factories to raise the level of safety management. We also place a heavy importance on safety education and training so as increase staff awareness on the matter. Our goal is to have close to no workplace related accidents and we will continue to work towards our goal.

Refer to the following table for a better understanding on the number of Occupational Accidents in the past year, which covers UPP Pulp & Paper (M) Sdn Bhd only for the purpose of Sustainability Report FY2017:

No	Types of injury *	Malaysian			Foreign Workers		
		Number of Employee	Percentage (%)	Lost Day Rate (%)	Number of Employee	Percentage (%)	Lost Day Rate (%)
1	Lacerations / cuts	2	20	8	2	20	8
2	Sprains/ strains	1	10	21	-	-	-
3	Fractures	-	-	-	3	30	26
4	Burns (heat)	1	10	2	-	-	-
5	Bruises	-	-	-	1	10	3
<b>TOTAL</b>		<b>4</b>	<b>40</b>	<b>31</b>	<b>6</b>	<b>60</b>	<b>37</b>

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

### ***FY2018 Target***

We will constantly review our policies and procedures with regards to workplace safety and continue to conduct trainings for employees on a frequent basis.

# GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard	Disclosure	Notes/ Page Reference
<b>GENERAL DISCLOSURE</b>		
GRI 102: General Disclosures 2016	<b>Organizational Profile</b>	
	102-1 Name of the organisation	3
	102-2 Activities, brands, products, and services	4
	102-3 Location of headquarters	4
	102-4 Location of operations	4
	102-5 Ownership and legal form	4
	102-6 Markets served	4
	102-7 Scale of the organisation	10
	102-8 Information on employees and other workers	10
	102-9 Supply chain	4
	102-10 Significant changes to the organisation and its supply chain	NIL
	102-11 Precautionary principle or approach	7
	102-12 External initiatives	5
	102-13 Membership of associations	6
	<b>Strategy</b>	
	102-14 Statement from senior decision maker	Annual Report 2017
	<b>Ethics and Integrity</b>	
	102-16 Values, principles, standards, and norms of behaviour	5
	<b>Governance</b>	
	102-18 Governance structure	6
	<b>Stakeholder Engagement</b>	
	102-40 List of stakeholder groups	7
	102-41 Collective bargaining agreements	NIL
	102-42 Identifying and selecting stakeholders	7
	102-43 Approach to stakeholder engagement	7
	102-44 Key topics and concerns raised	8
	<b>Reporting Practice</b>	
	102-45 Entities included in the consolidated financial statements	Annual Report 2017
	102-46 Defining report content and topic boundaries	3
	102-47 List of material topics	8
	102-48 Restatements of information	NIL
	102-49 Changes in reporting	First SR Report
	102-50 Reporting period	3
102-51 Date of most recent report	First SR Report	
102-52 Reporting cycle	3	
102-53 Contact point for questions regarding the report	3	
102-54 Claims of reporting in accordance with the GRI Standards	3	
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## GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard	Disclosure	Notes/ Page Reference
<b>MATERIAL TOPICS</b>		
<b>Economic Performance</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	9
	103-2 The management approach and its components	9
	103-3 Evaluation of the management approach	9
GRI 201: Economic Performance 2016	201-1 Direct Economic value generated and distributed	9
<b>Anti-Corruption</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	10
	103-2 The management approach and its components	10
	103-3 Evaluation of the management approach	10
GRI 205: Anti- Corruption 2016	205-1 Operations assessed for risks related to corruption	10
	205-2 Communication and training about anti-corruption policies and procedures	10
	205-3 Confirmed incidents of corruption and actions taken	10
<b>Employment</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	10
	103-2 The management approach and its components	10
	103-3 Evaluation of the management approach	10
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	10
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	NIL
	401-3 Parental leave	NIL
<b>Occupational Health and Safety</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	12
	103-2 The management approach and its components	12
	103-3 Evaluation of the management approach	12
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management – worker health and safety committees	12
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	12
	403-3 Workers with high incidence or high risk of diseases related to their occupation	12
	403-4 Health and safety topics covered in formal agreements with trade unions	NIL