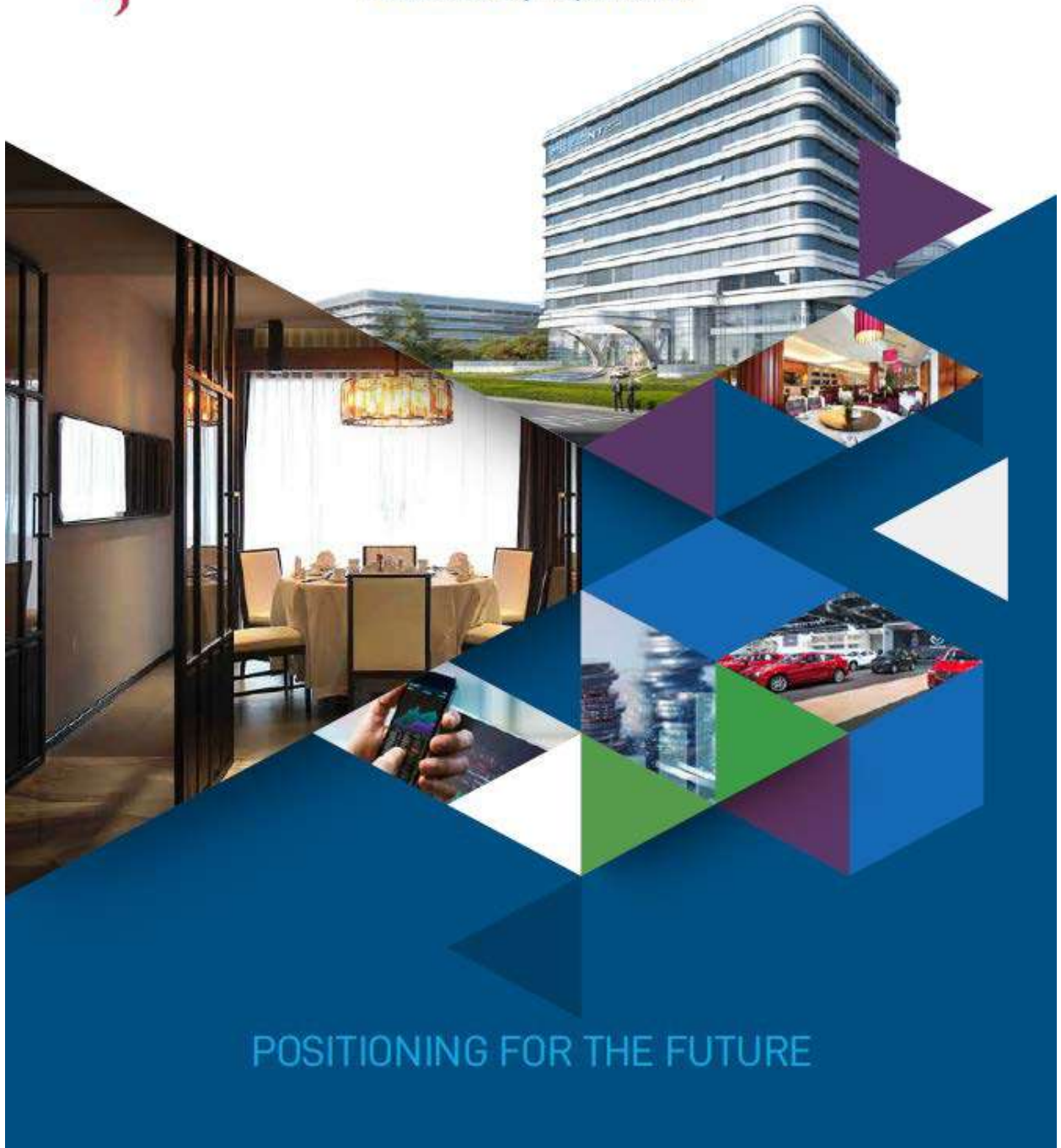




Pavillon Holdings Ltd.

Sustainability Report 2019



POSITIONING FOR THE FUTURE

Sustainability Report 2019

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BOARD STATEMENT

The Board continues to view that sustainability means the running of the business in a way that is not only financially beneficial but also has a positive impact on our stakeholders and the environment. Therefore, the board continues to commit to incorporating the key principles of environment, social, and governance in setting out our business strategies and operations.

OUR SUSTAINABILITY VISION

Our sustainability vision is to produce and supply high-quality products and services in a manner that minimises any adverse impact on the environment, while at the same time creates sustainable value for our stakeholders.

AREAS OF FOCUS

However, we also acknowledge this is an important decision for the long-term, and to achieve this, we will be focusing on the following areas:

- 1) Production and operating process
- 2) Innovation
- 3) Environmental protection

With the commitment and determination towards sustainability, we will continue to seek improvement in our existing and future sustainability programs; we will also strive to balance the impact of economic growth, environmental protection, and social responsibility in our strategic plan to achieve sustainable value for all stakeholders.

ABOUT THIS REPORT

This is our group's third sustainability report. Unlike past years where we report within our annual report, we will now change to report them on our corporate website: <https://thavillagerestaurant.com.sg/investors/> and also upload onto SGX portal. This new approach of reporting aligns with our group vision of upholding “environmental protection“ as we reduce the printing of the physical report. This report will continue to focus on the following factors that impact our business:

- 1) economic and operation
- 2) environmental and
- 3) social issues

Our objective is to communicate our sustainability strategies, management approaches, and performances to our stakeholders, and to introduce our ongoing activities for sustainable development.

In this report, we set out the approaches adopted by the group and the measures we have taken thus far in managing the economic, environmental, social and governance aspects of our business operations adopted from Global Reporting Initiative (GRI) guidelines.

At the same time, we will continue from the established performance targets which we have tracked and will report them in our subsequent sustainability reports. The current report is not subject to any external assurance. We may consider seeking external assurance in the future.

REPORTING PERIOD AND SCOPE

This report explains our strategies and approaches in all aspects of sustainability and provides detailed information about our sustainability performance in all our businesses and applies to the Group's financial year ended 31 December 2019.

MATERIALITY ASSESSMENT

Economic and operational factors

Retention of customers

It is a known fact that it generally costs more to acquire a new customer than retain an existing one. Not only is it cheaper to retain existing customers than acquiring new ones, but the returns from the business of existing customers are also often higher too.

Based on our experience, loyal customers tend to spend more than new customers due to their familiarity with our business and our products.

Furthermore, loyal customers tend to be more forgiving, more willing to try new things and new concepts.

Customer retention is relationship building. Good relationships make life better for everyone. They're mutually beneficial.

To a business, being relational makes everything easier. Customers are less likely to fly off the handle at the first sign of unhappiness. That protects your revenue and makes life easier for your employees who play a huge role in customer loyalty.

Therefore, customer retention is crucial to the sustainability of our group business.

Improvement in productivity efficiencies

We continue to believe that sustainability and productivity do not have to be mutually exclusive.

Therefore, Productivity improvement is always part of our long-term and key process for sustaining a business. Improving productivity results in a reduction in business operating costs. Lower cost also enables the business to maintain its a competitive price which could result in improving revenue. Combining the yields from the improvement in productivity and increased demand for our products and services, the result is better profits for the group.

Productivity efficiency could be achieved by eliminating unnecessary wastage of raw material, wastage of manpower and waste of space, etc. Thus, it is necessary to adopt an efficient productivity improvement system that enables businesses and individuals to continue to improve productivity.

A key component in the evolution of business productivity has been innovations in technology, which has helped to significantly streamline processes and give businesses a competitive advantage.

To ensure that new technology continues to support businesses and their objectives, it is important to continue to focus on how to transform how the world obtains, uses, and reuses its resources by looking at the next major innovations and how they can support environmental as well as business objectives.

This can only be achieved through the collective efforts of the industry, authority, academic institutions, staffs and innovators, who together can realize the vast benefits of utilizing technology to streamline processes and maximize yields and productivity, without impacting the planet's vital resources, helping to secure a sustainable future.

It is also a known fact, during economic turmoil, a cost-effective company will have a better chance of sustaining its businesses and operations.

In summary, how do we do more, with less and even lesser?

Strategic partnership

Strategic partnerships are increasingly becoming a vital element of businesses' corporate growth strategies, with executives putting more resources to manage partnerships.

In the globalizing economy when information is just a few keystrokes away, an effective strategic partnership works in helping businesses pool knowledge resources, share costs, diversify their business and create opportunities to enhance sales growth and improve business.

Apart from the above, we have also successfully centralised our procurement with reliable and effective suppliers. Having effective suppliers and business partners, we can achieve better bargaining power in terms of the purchase cost and we can save on investing in storage and personnel.

Apart from the above, we have also established a partnership program with some delivery companies and share platforms to ensure the continuity of our business during the Covid 19 safe distancing measures.

Environmental factors

Reduce, reuse and recycle

The group continues to do our part for the environment and has adopted a “waste hierarchy” to manage the process.

The waste hierarchy is the order of priority of actions to be taken to reduce the amount of waste generated and to improve overall waste management processes and programs. The waste hierarchy consists of 3 R's as follows:

- Reduce
- Reuse
- Recycle

This waste hierarchy is the guidance suggested for creating a sustainable life.

The 3R's actions during production processes reduce the need for raw materials, human cost, and pollution. They also help to save the energy required to harvest and dispose of wastes. The result has reduced the cost of business. Most importantly, they help to sustain the environment for future generations.

Reduction in carbon emissions

Consistent with the world-wide government's push to go green, we have since started to use more energy-efficient cookware and appliances in our central kitchen and offices. As an example, we are changing the lighting system in all our outlets to LED lights which consume lesser electricity to light up. The result is a reduction in our carbon emissions.

Streamline payroll process

We have since discovered ways to reduce manual effort to process payroll. Instead of doing the traditional way of keying in data entry into the payroll system, we are now able to use the "import" feature to update the payroll data, and lead to a reduction of manpower and also electricity requires to run the whole payroll process.

Installing POS systems

We have installed POS systems that allow the staff to take orders digitally rather than writing them down on paper to help reduce the use of paper. POS systems allow restaurateurs to efficiently keep track of inventory, which means it's easy to know exactly what items need to be reordered and how much of each item. This prevents over-ordering, which can lead to food waste. Furthermore, the POS system comes with comprehensive reports which enable management to use it for analysis and lead to a reduction of man-hours required to generate the report and further reduce the consumption of papers.

Waste oil treatment

For our food and beverage business, waste oil treatment has always been a key and crucial issue for us. As a responsible company, our waste oil is collected and recycled into other products, thus reducing damage to the environment.

Social factor

Sustainability Affects Morale

"Going green" is not a new modern movement, but technology has certainly modernized our approach to sustainability.

Companies that focus on sustainability are often viewed more favorably by the public, which has a positive effect on employees' morale. This, in turn, will pass on to customers when

employees interact with them thus leading to better customer services and enhancing the organization. Furthermore, not only sustainability helps to retain employees, but it may also help to attract better talents.

In general, many of the best and brightest across every industry are interested in working for companies that put ethics over profit and work to create a better world. This may enrich the talent pool, helping to raise recruiting standards and build better teams. People generally feel good when they can help the environment and make money for the employer. These can go hand in hand with the help of technology.

HR Is Poised to Integrate Sustainability

HR continues to play an important role in the adoption of more sustainable practices. Since recruitment, onboarding, and training are integral functions of HR, HR professionals can make sure that sustainability is ingrained into new employees' view of the company from the start. Talking about reducing waste throughout onboarding and training can help to set the foundations for more sustainable practices.

HR can help to shortlist prospective employees who share the same sustainability vision. It is always easy to let the new employee embrace the company's sustainability vision when they have it in themselves.

HR can also encourage sustainable practices throughout employee lifecycles and daily tasks. By helping to set up software and systems that take care of things like time and attendance tracking, scheduling, succession planning, and goal setting, HR professionals can help to save paper while improving efficiency within the organization.

Besides preaching about sustainability and implementing more sustainable systems, HR can also help to engage employees with sustainability by introducing employee feedback programs and sustainability ideas. When employees are living sustainability, we can feel comfortable knowing that they are doing their part to minimize waste within our company. It is also a known fact that many good initiatives can come from employees.

Compliance with industrial standards

For our food and beverage business, food safety has always been our utmost priority. The group has embarked on the SS 590:2013 a HACCP -based Food management system. It is a robust food safety management standard in Singapore which is closely aligned to the international ISO food safety management system standard (ISO 22000). In 2019, we have achieved ISO 22000 as we expand our global footprint.

STAKEHOLDER ENGAGEMENT

Stakeholder trust and support are essential to our success. We have in place a reporting and briefing system to keep our stakeholder informed so that our stakeholders are well engaged with us.

Stakeholders	Keys Topics	Engagement method
Customers	<ul style="list-style-type: none"> ▪ Service and food quality ▪ Improvements ▪ Customer support; ▪ Financial performance 	<ul style="list-style-type: none"> ▪ Customer visits or meetings ▪ Industry exhibitions ▪ VIP/loyalty program ▪ Online platform ▪ Social media ▪ Customer service hotline and email
Employees	<ul style="list-style-type: none"> ▪ Communication and engagement ▪ Career advancement ▪ Staff welfare ▪ Working environment condition ▪ Training 	<ul style="list-style-type: none"> ▪ Social events with employees, internal announcement and emails ▪ Regular management meeting with staff ▪ Regular review with department heads ▪ Peer to peer review
Shareholders	<ul style="list-style-type: none"> ▪ Return on investment ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Half yearly and annual financial results announcement; ▪ Annual and Sustainability report
Investors	<ul style="list-style-type: none"> ▪ Strategic plans ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Regular meeting with investors; ▪ Sustainability report
Suppliers	<ul style="list-style-type: none"> ▪ Supplier quality performance; ▪ Supplier sustainability in business; ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Regular meeting with suppliers; ▪ Key suppliers audit; ▪ Sustainability report
Government and regulators	<ul style="list-style-type: none"> ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Regular compliance update and submission
Communities	<ul style="list-style-type: none"> ▪ Environmental protection; ▪ Community activities involvement; ▪ Support to society organisations; ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Participation in community activities; ▪ Communication through phones and emails; ▪ Sustainability report

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost-cutting and process innovation

We believe being sustainable and being productive can come hand in hand. We continue to incorporate technologies into our process and at the same time provide high-quality products and services that comply with international and local food safety standards.

We will continue developing a new way of processing more products with enhanced qualities and at the same time reducing wastages at our central kitchen. Through this process, we aim to further reduce our carbon footprint during the production process.

To improve data management

Company information data is a valuable asset to a company, this includes but is not limited to customers' data, suppliers' data, and company financial data. The group has a data protection policy to properly secure and protect the integrity of company information data. From 2018, the group did not report any major breakdown of the data management system.

Furthermore, the company has introduced remote access to enable staff to work outside the office.

Environmental protection

The group continued its journey toward the environmental protection goal. We have stepped up our efforts in our centralized kitchen to reduce the waste of raw materials, manpower, and energy. Some of the work we carried out from 2018 and through 2019, such as replacing the kitchen equipment, educating staff, and the lighting system with more energy-efficient products, has led to the saving of utility usage. As compared to 2017, after we implemented the above, we now have the following savings:

Item	Saving in term of percentage
Gas	8.17%
Water	2.11%
Electricity	6.17%

Community investment

As part of ongoing Corporate Social Responsibility initiatives, we continue to play our part to champion a growing diversity of programs and initiatives to give back to society.

Over the years, we have participated in many social activities organised by various academic institutions. We recognise the importance of practical training. We aspire to be able to provide a platform to train employees for the industry we are in. Besides fulfilling our social responsibility, we also create employment opportunities.

GOVERNANCE

Corporate governance

Our company has generally adhered to the framework as outlined in the Code of Corporate Governance 2018 for the financial year ended 31 December 2019. The Board acknowledges that with a high standard of corporate governance, it ensures the sustainability of the business and also safeguards the interest of stakeholders. You may refer to the Corporate Governance Report in the Annual Report for details for our corporate governance practices.