



# SET Awards 2023

## Sustainability Excellence

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6 Sep 2023

# Agenda

- 1. Risk management & strategic implications**
  - 1.1 Strategic management for sustainable business expansion and long-term competitiveness**
    - A. Growth path toward the doubling of business size in 5 years after SET listing**
    - B. Attentive management of key raw material to strengthen competitiveness**
  - 1.2 Well-designed governance structure for quality growth**
- 2. Net zero efforts & distinctive sustainable innovations**
- 3. Social responsibility & stakeholders engagement**
- 4. Key takeaways**



# 1.1

## Strategic management for sustainable business expansion and long-term competitiveness



# Vision 2025

Double business size from IPO by 2025



# Recap on the last 12 months

## Key highlights

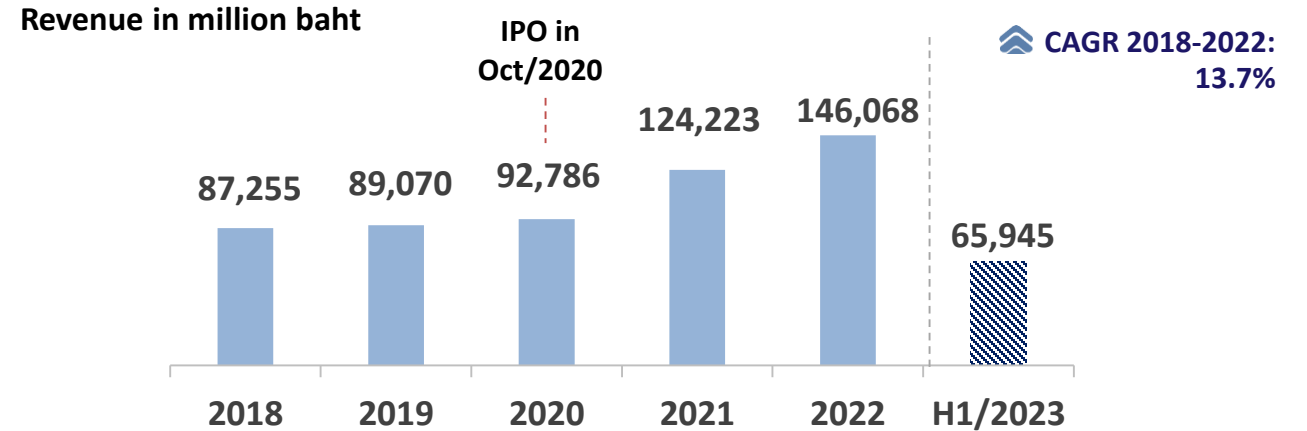
**1** Progressively drive revenue to reach 1.5x since IPO

**2** Executions of growing the core, expanding to adjacencies & entering into new business with CAPEX of 40,000 MB (2021 to H1/2023)

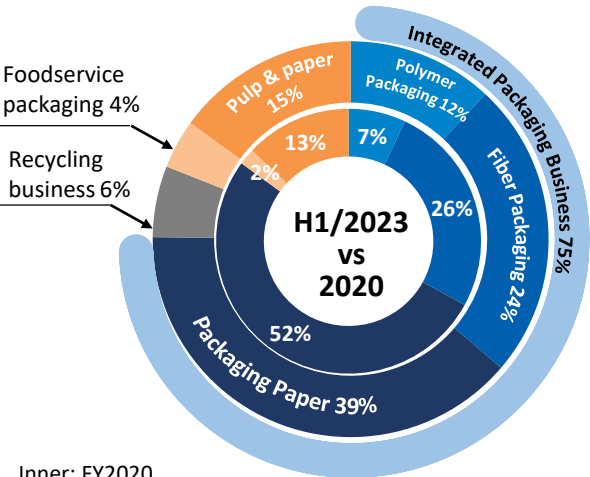
**3** Stabilize supply chain through operational excellence with cost savings ~2,000 MB in 2022

**4** Improve on the 99.7% recyclability and progress toward Net Zero 2050

## Transformation of revenue

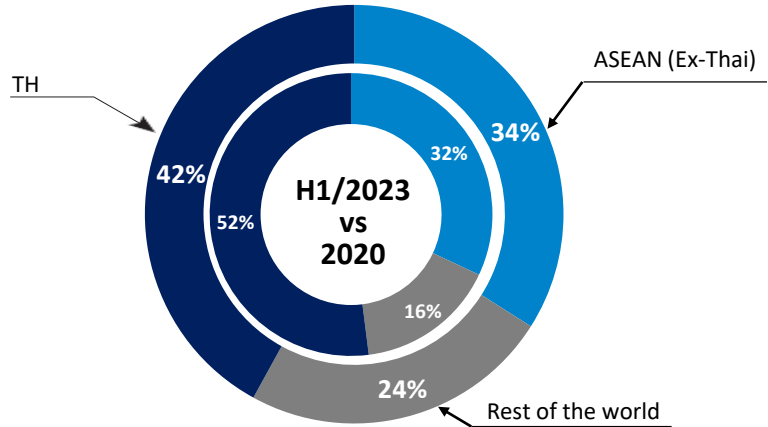


### By Business Units



Inner: FY2020  
Outer: H1/2023

### By end destination



# Capturing consumer trends to develop sustainable & innovative packaging

Deliver packaging solutions in line with consumer trends and fit with customer needs

## Key trends over the next 10+ years

## Implication to packaging industry

## Key levers to drive holistic impact



**1. Increasing awareness of sustainable packaging**

Recyclability & renewable materials with sustainability in the value chain



**Circularity**  
Optimize recyclability & recycled content



**2. E-commerce everywhere**

Packaging features for omnichannel e.g. easy-to-pack, unboxing experience, convenience



**Transport**  
Optimize transport efficiency



**3. Rapidly changing consumer preferences**

Innovation toward personalized, healthier, convenient packaging and SKU proliferation



**Redesign**  
Optimize customer experience



**4. FMCG/retail margin compression**

Collaboration between converters & customers to reduce costs & improve sustainability



**Use less**  
Reduce materials or combine secondary and tertiary



**5. Digitization/ internet of things (IOT)**

Adoption of digital solutions through technology integration in packaging



**GHG**  
Lower emission to comply with new regulations

# 8 risks and resiliency

Integrate enterprise risk management into business scenarios and strategic direction

1

## Business Risk

A

**Pursued new growth driver & markets** e.g. South Asia, while enhanced consumer-linked portfolio (71% of total sales) for business resiliency

2

## Input Risk

B

**Reinforced raw material circular model & entered into international recycling business** to stabilize the value chain (Recovered paper ~35% of total cost of goods sold)

3

## Process Risk

**Strengthened regional operations with data-driven approach** e.g. E2E optimization and automation for more efficiency

4

## Financial Risk

**Well-established debt structure** with diversification among short & long-term bank loans and debenture

5

## Environmental & Social Risk

As part of Net Zero 2050, **increased alternative fuel to 35%** (H1/2023) & enlarged “Zero Waste Community” to 97 in 2022

6

## Hazard Risk

**Climate scenario analysis & risk mitigation** plan with TCFD and GRI standards e.g. floods & drought

7

## Regulation Risk

**Proactively oversee operational compliance to pursue ESG excellence** in alignment with new regulations e.g. industry best water effluent treatment

8

## Reputation Risk

Prepared **BCM & crisis management** with regular community satisfaction survey



## 1.1

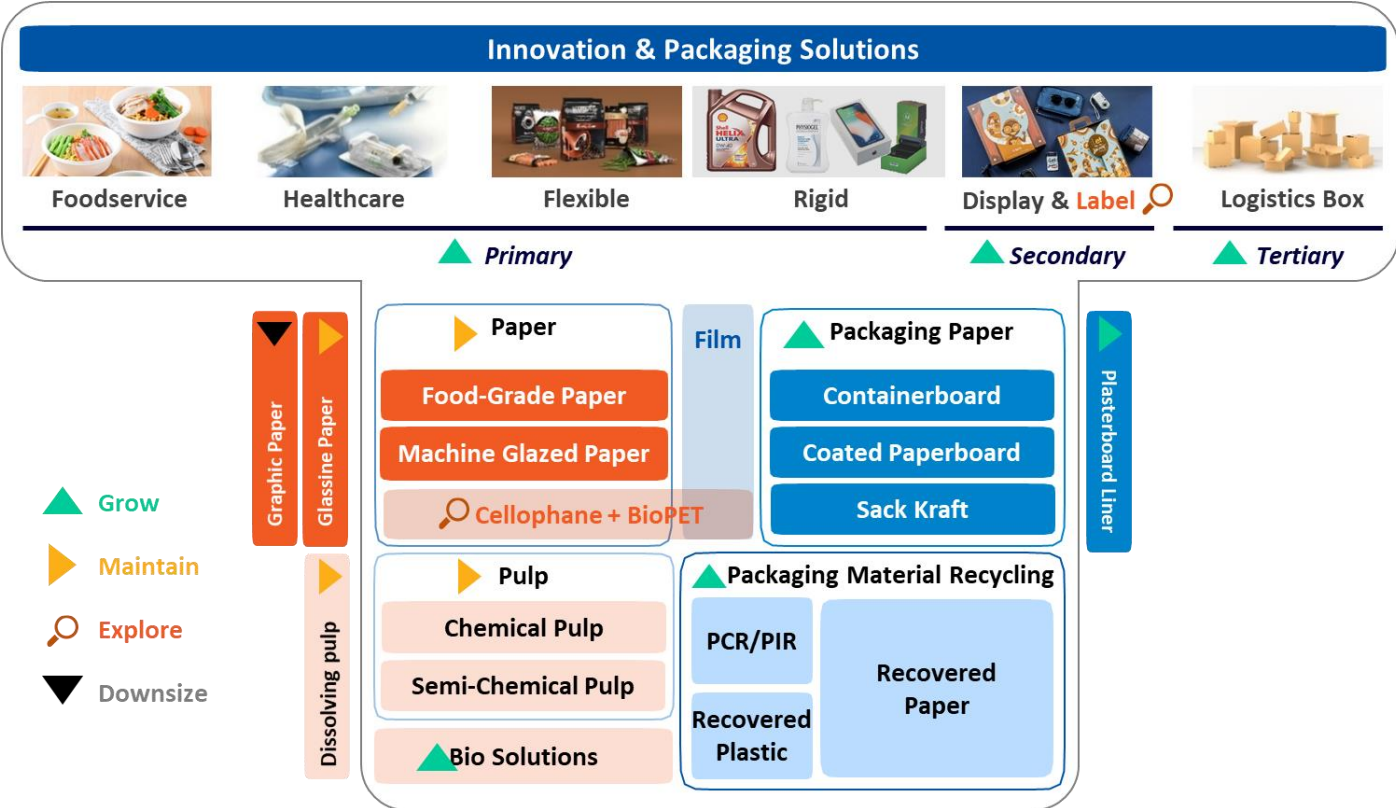
# Strategic management for sustainable business expansion and long-term competitiveness

- A. Growth path toward the doubling of business size in 5 years after SET listing**
- B. Attentive management of key raw material to strengthen competitiveness

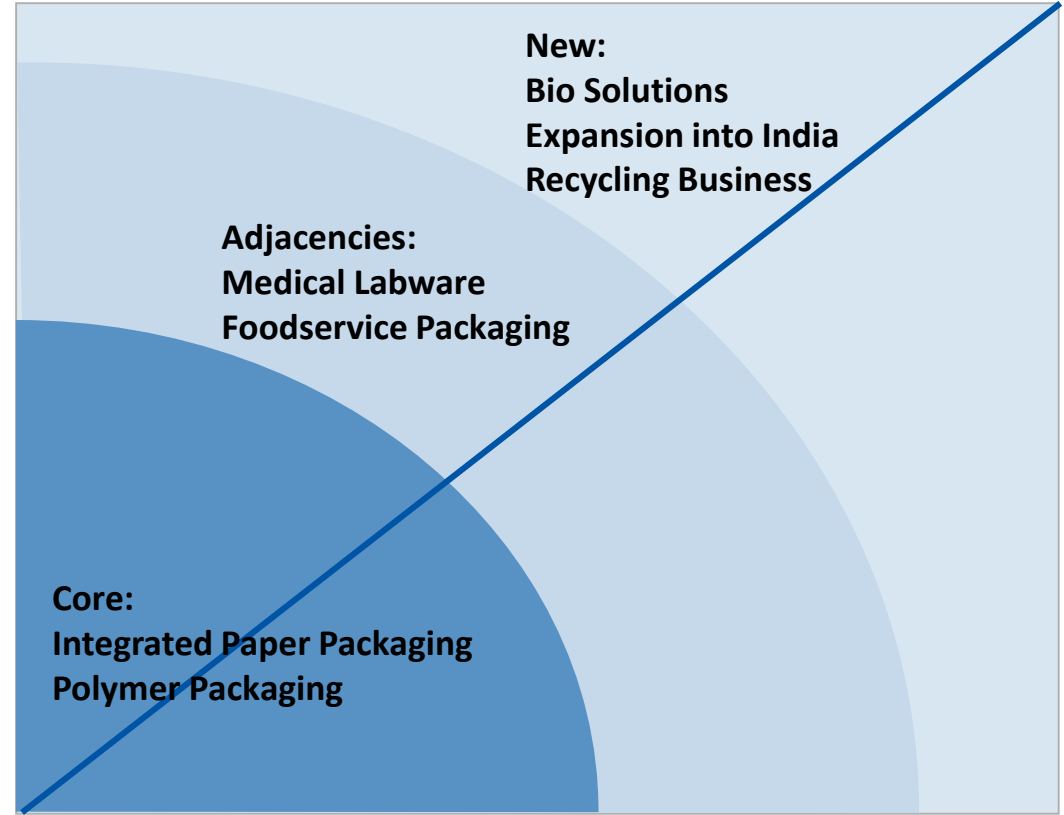


# Expansion path

Continue to strengthen T-profile business model through growing the core and expanding to adjacencies while capturing opportunity in new business and region



## Organic Expansion

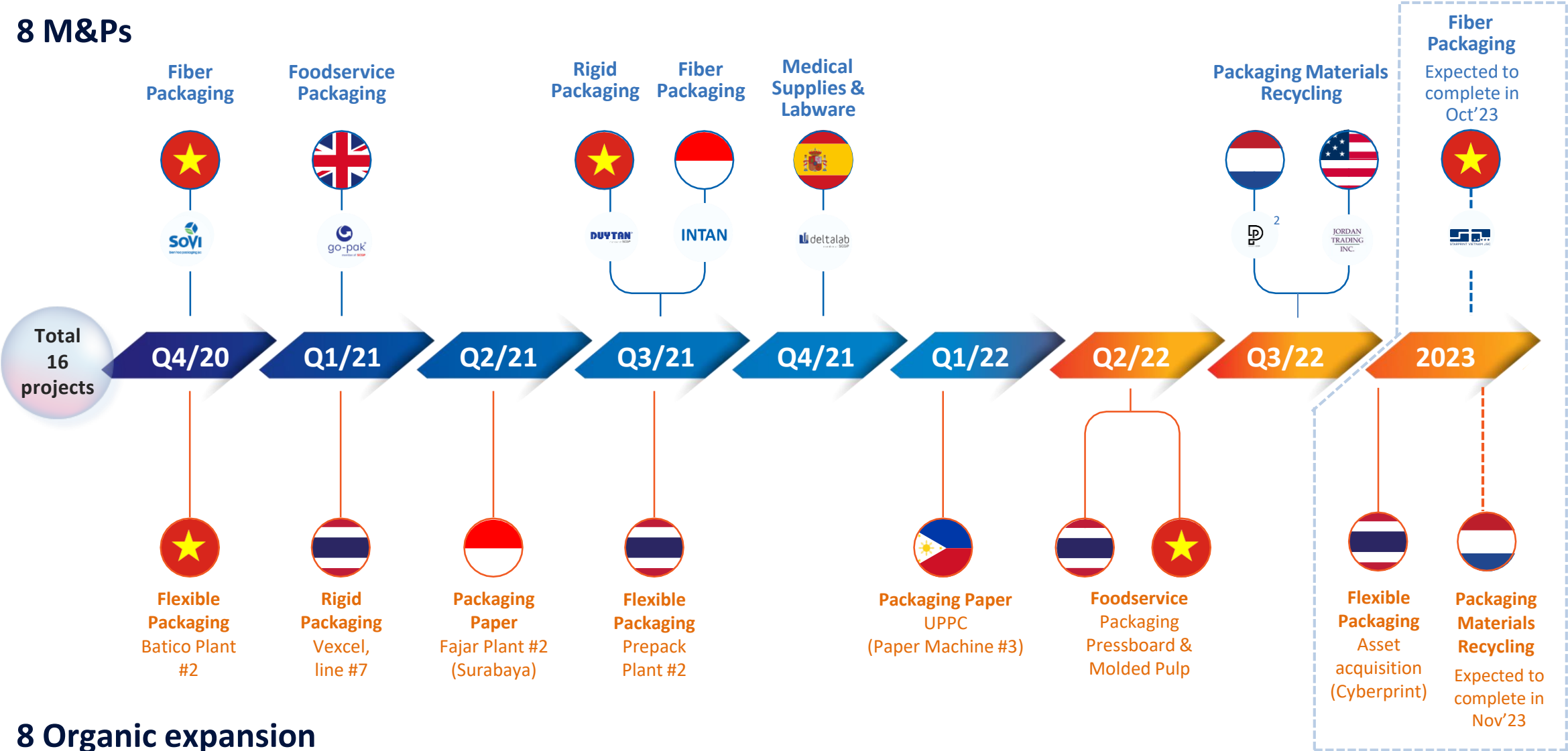


Programmatic M&P

# Key business drivers

Fuel up future growth with high quality mergers and partnerships (M&Ps) and organic expansions

## 8 M&Ps



## 8 Organic expansion

Note: 1. CAPEX aligned with investment per SET disclosure  
 2. The investment included relocation of Peute to Alblaserdam

# Expedition of value-accretive programmatic M&Ps in the pipeline

Prudent M&P processes with focus on strategic fit and sustainable business growth

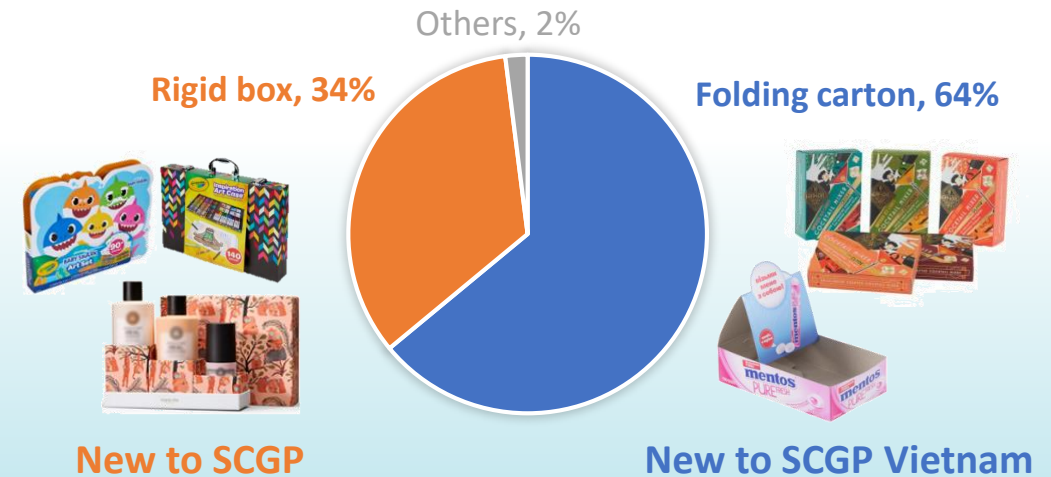
Steps	Since IPO (October 2020)	Total
<b>Completion</b>	SOVI 2020 Deltalab, Intan, Duy Tan, Go-Pak 2021 Peute, Jordan 2022 Starprint Vietnam 2023	<b>8</b>
<b>Due diligence</b>	UK EU + 8 completion <sup>1</sup>	<b>11</b>
<b>Non-Binding Offer</b>	ID, VN TH, MY ID, VN, PH, EU-US-IN TH + 11 due diligence & completion	<b>22</b>
<b>Non-Disclosure Agreement</b>	TH, Isarel, ID, VN PH, US, AUS, Global, UK ES TH, UK ID, EU, PH NZ, EU + 22 NBO, due diligence & completion	<b>39</b>
<b>Pre-screen</b>	<b>150+ opportunities</b>	<b>150+</b>

## Strategic investment in Starprint Vietnam JSC

- Leading producers of offset folding cartons, rigid boxes & luxury packaging with distinctive printing capability & quality
- MNCs & national companies client base that is linked to high growth & fast moving consumer products.



## Product portfolio



# Portfolio transformation progress

Advancing with quality growth post SET listing with high-value segments targeted for the future

Revenue from sales  
(billion THB)



The Siam Pulp and Paper PCL.



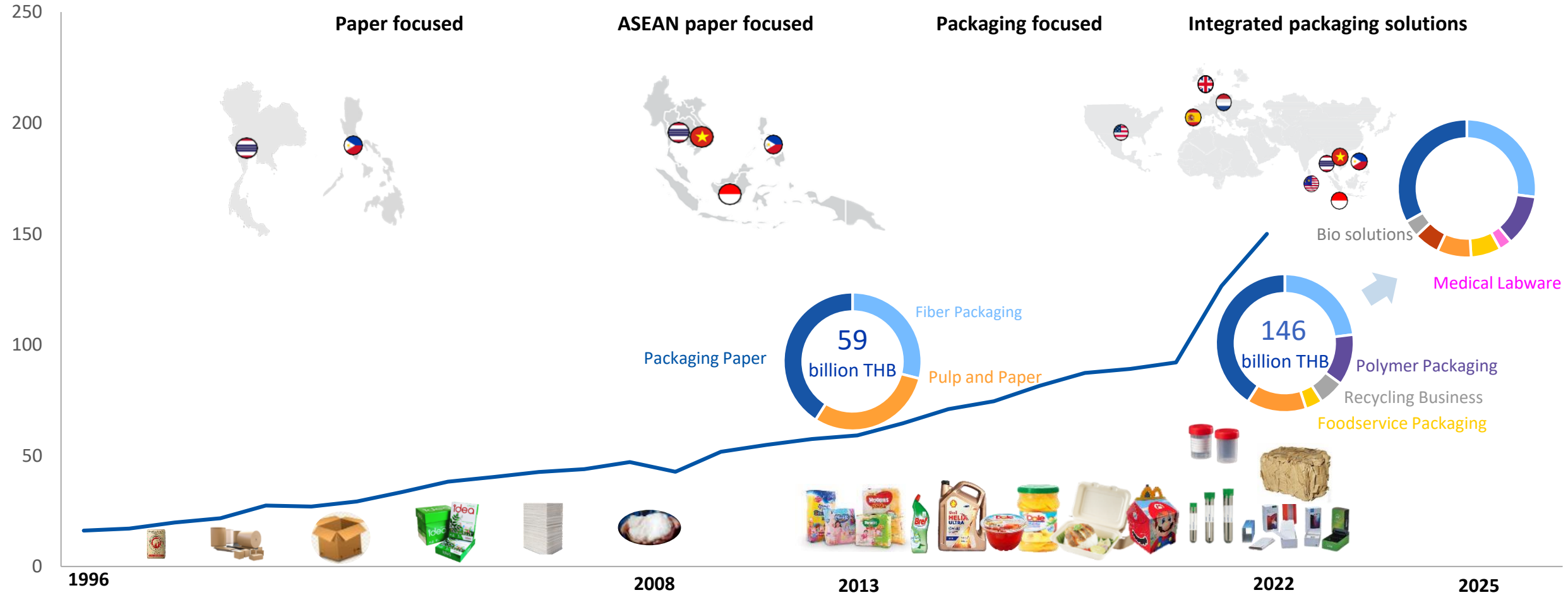
ASEAN paper focused



Packaging focused



Integrated packaging solutions





## 1.1

# Strategic management for sustainable business expansion and long-term competitiveness

- A. Growth path toward the doubling of business size in 5 years after SET listing
- B. Attentive management of key raw material to strengthen competitiveness**

# Increasing raw material risk from volume and price volatility

Recovered paper volume and price are key risks affecting 63% of SCGP's business

SCGP value chain

## Key raw materials

63% of total SCGP's revenue (H1/2023)



Recovered paper (RCP)



Packaging Paper



Fiber Packaging



RCP volume & price analysis

## Price movement<sup>2</sup>

- Trading price
- Sourcing price



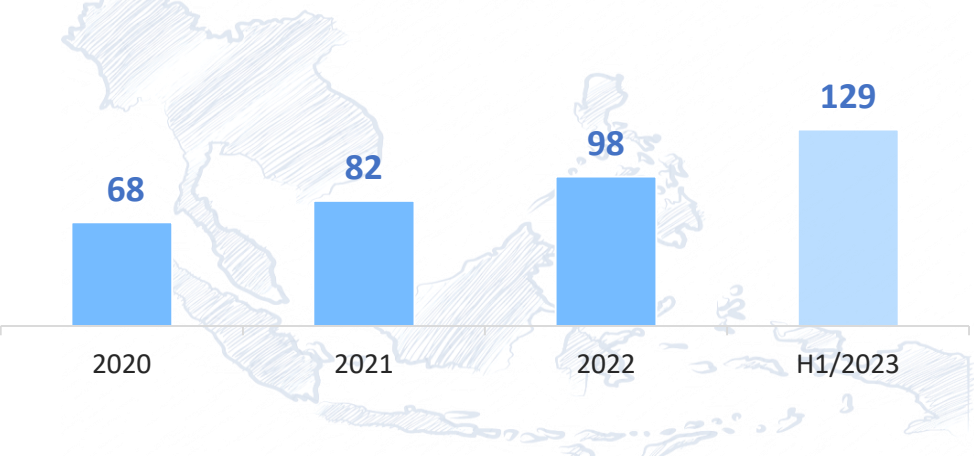
- Volatility in RCP market price has been more frequent & severe in recent years
- Competitive sourcing helps stabilize input cost
- Superior yield & quality of RCP from recycling stations

# Domestic stream: Moving closer to primary sources to secure volume at competitive price

SCGP's circular model with focus on security, accessibility and source diversification



Total number of SCGP's recycling stations and recycling partners across ASEAN



## Key strategies for domestic RCP sourcing to reduce risk

- Expand supply coverage through exclusive contracts with local suppliers



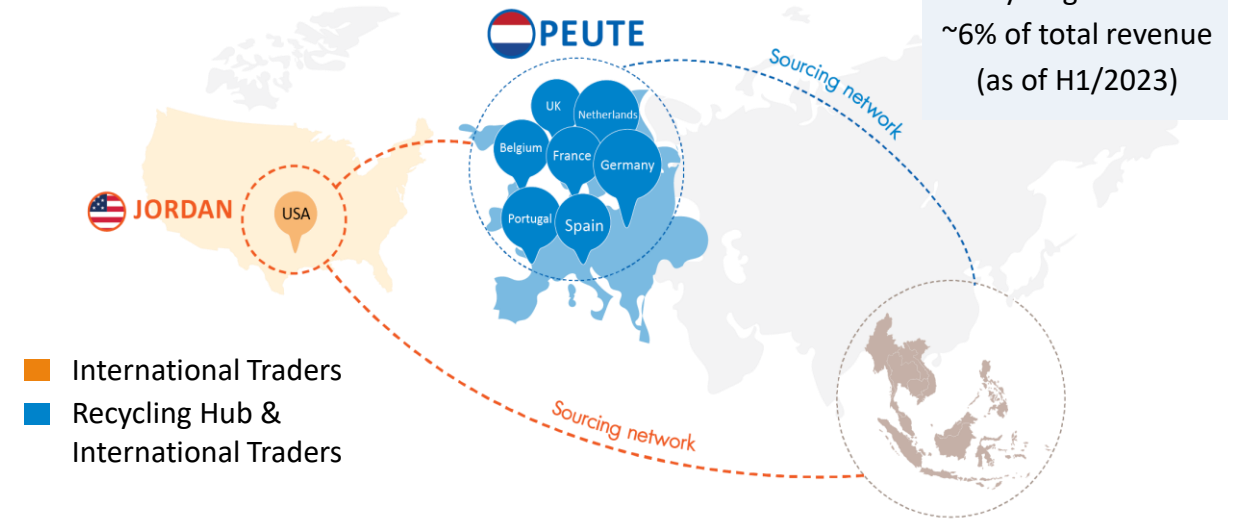
- Collaborate with modern trades and industrial estates via circular economy programs and collection services
- Optimize logistics and increase backhaul services to enhance RCP collection from box plants

# International stream: Enter into packaging material recycling as part of backward integration

Replicate domestic stream by merger and partnership with traders & recycling centers



## Large scale global network<sup>1</sup>



## Peute: New production facility near Rotterdam port



- Double RCP sorting and trading capacity from 1.0 MT/Y to 2.0 MT/Y
- Commercial start-up expected in Nov/2023

## Key strategies

- Looking for opportunity to further expand sourcing network in the US
- Utilizing sourcing capability to capture opportunity in plastic recycling

## Potential synergies

- Freight and backhauling management
- Removing intermediary fee
- Direct access to source of high quality and special grade of RCP





## 1.2

# Well-designed governance structure for quality growth



# SCGP's business expansion from ASEAN to global

Proactive governance management in preparation for business growth



# Effective governance & management system for sustainable growth

Standardization for key governing functions & custom-fit for operating functions

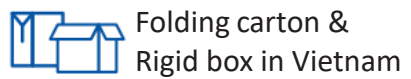
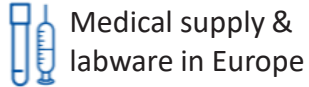
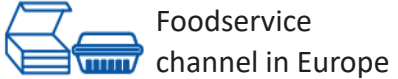


Low capability alignment



Low integration

High integration



# Focused governance process with Pre & Post Merger Integration (PPMI)

Discover value protection & extraction gaps and deliver value creation potential





## 2

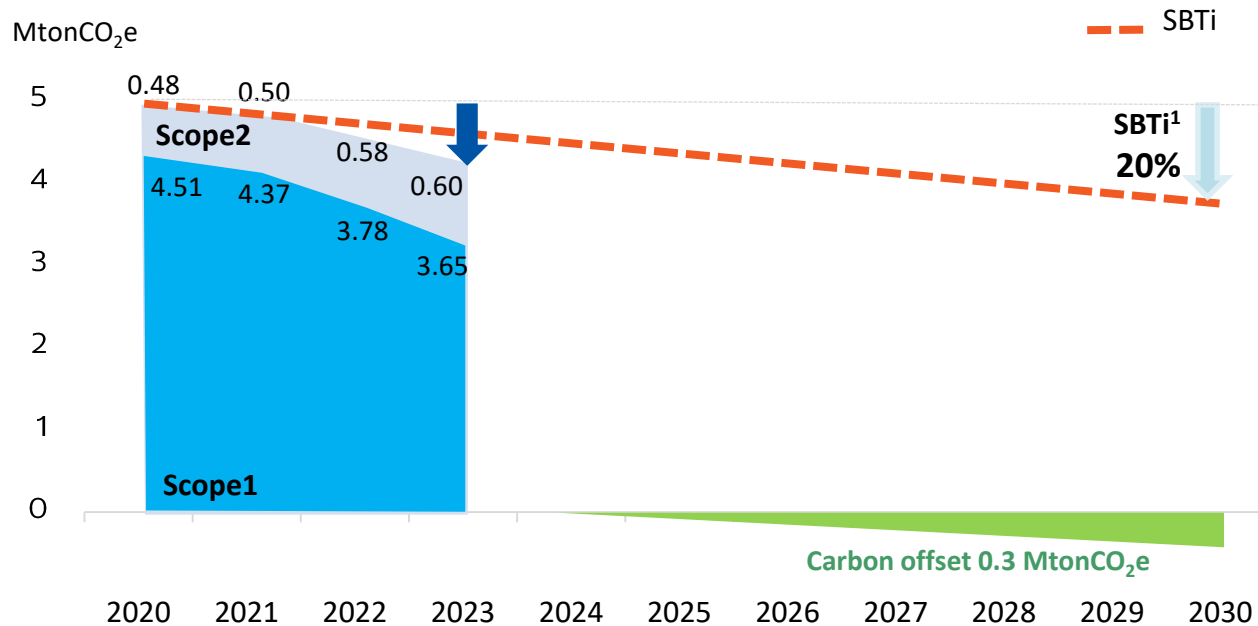
# Net zero efforts & distinctive sustainable innovations



# Commitment & execution to address climate change

Strategic investments & team efforts to expedite GHG emission reduction

## GHG emissions projection



## Strategy & targets in 2030

1

### Supply-side

- Renewable & low carbon energy
- Increase biomass usage in existing & new boiler
- Solar capacity expansion to 52 MWp

2

### Demand-side

- Packaging paper plant efficiency improvement

3

### Carbon removal

- Natural Climate Solution (NCS) with new plantation target of 43 million tress in 2030
- Carbon Capture & Utilization (CCU)

# Progress in alternative energy & efficiency improvement

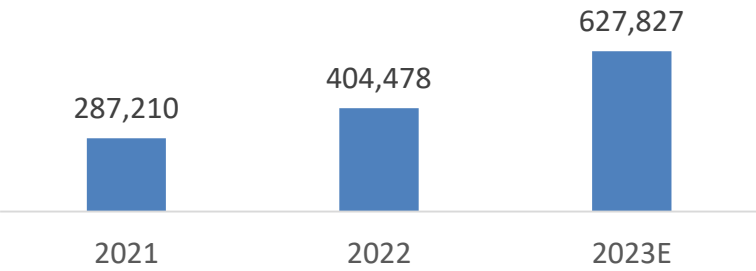
Prioritize efforts toward strategies 1&2 as key contributions to achieve targets

## 1 Increase proportion of renewable energy usage

Enhanced biomass consumption from agricultural waste, waste wood



GHG emission reduction (unit: Ton CO<sub>2</sub>/year)



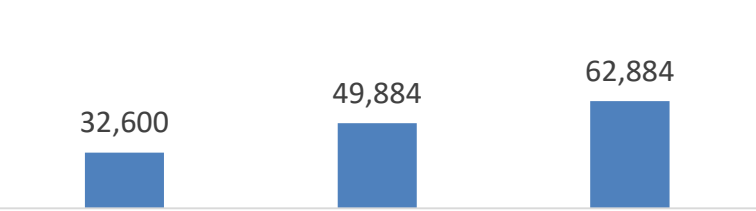
% Biomass of total energy sources

2021: 6.2%    2022: 8.4%    2023E: 12.4%

Biogas from advanced anaerobic wastewater treatment



GHG emission reduction (unit: Ton CO<sub>2</sub>/year)

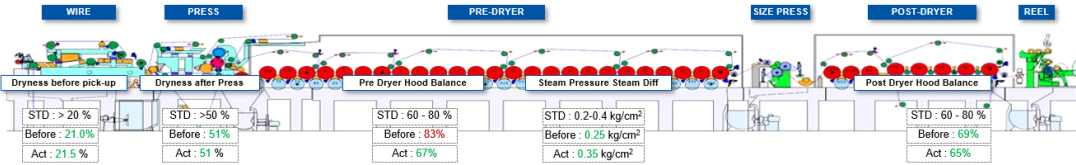


2014-2019    2020-2021    2022-2023

## 2 Utilize AI for energy & production optimization

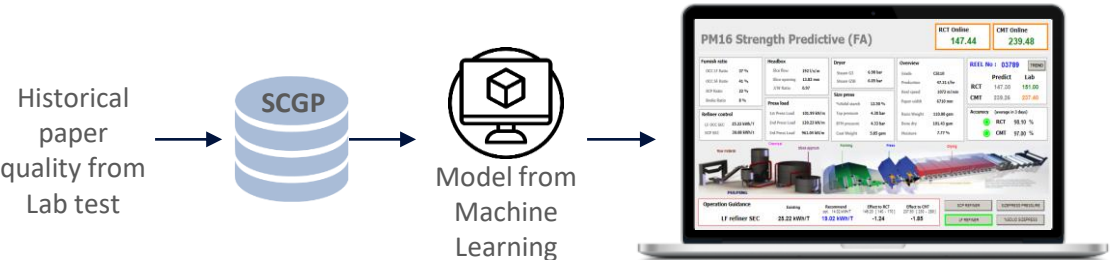
### Steam consumption reduction in paper making process

Paper machine in Thailand: Stream reduction 216,795 gigajoule/year in 2023



- Using process data analytics for process adjustment and benchmarking to reach the best machine condition
- Target cost savings ~70 MB in TH operations in 2023

### Product quality prediction



Utilize AI for real-time paper quality monitoring

- Real-time quality monitoring
- Reject reduction guidance
- Reduce product quality give away

# Enhancing sustainable ecosystem & waste management

Strengthen cooperation in conserving biodiversity and create value-added to recycling waste

## 3 Carbon removal

New plantation since 2020- Jun 2023 (Included all activities)



**1,176,646 trees**

Location : Kamphaeng Phet, Kanchanaburi, Ratchaburi, Prachin Buri, Khon kaen

- Promote and support carbon removal with Natural Climate Solution (Estimated carbon dioxide sequestered ~13,000 tCO2)
- Increase forest areas to enhance biodiversity (Data is being verified by carbon footprint organization (CFO) for 7,000 rais in Thailand)

## ASEAN’s first ‘waste-of-waste’ recycling project with progressive expansion from Indonesia to Thailand



Waste management



Plastic pellets



Construction at Wangsala



Fajar’s plastic recycling plants in West and East Java with capacity of 18,000 tons/year



New project

Recycled plastic pellet plant with capacity of 8,100 tons/year (expected to start up in Oct/2023)

- Future expansion plan to VN & PH operations
- Internal collaboration with polymer packaging operations and opportunity to expand with strategic partners e.g. plastic houseware producers



# ESG investment through internal carbon pricing approach & sustainable-linked financing

Scale up sustainable project initiatives toward Net zero target and Thailand taxonomy landscape

## Enable ESG investment through internal carbon pricing



- ✓ Balancing between business & sustainability
- ✓ Capital management & planning

5 ESG projects that supported by ICP in 2022 with GHG reduction of 7,550 Ton CO<sub>2</sub>

- Implement Internal Carbon Pricing (ICP) to reinforce ESG projects
- Participate & evaluate ESG ratings by global standards and drive ambitious commitment through Science-Based Targets (SBTi)



## Commitment through sustainable financing

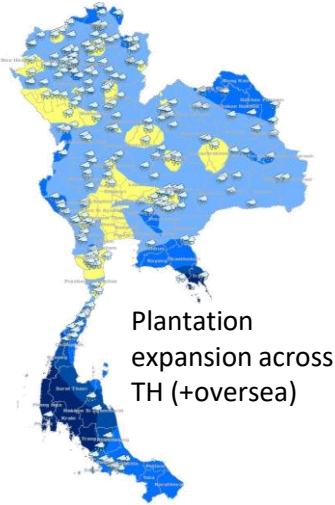
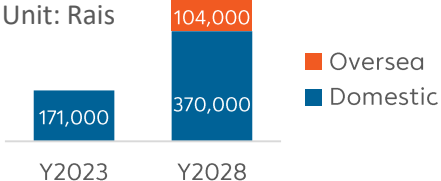


- **Sustainability Linked Loan (SLL) 5,000 MB** with a 4-year tenor in Sep/2021, with key performance targets (GHG reduction, water withdrawal reduction & SCG Green Choice sales)
- **Plan for green loan up to 3,000 MB** with a 5-year tenor (target by Oct/2023) to finance alternative energy projects e.g. biomass boiler & solar roofs

# RD&I capabilities for innovations & improved sustainability

Improve eucalyptus yield and enhance sustainable packaging in response to evolving trends

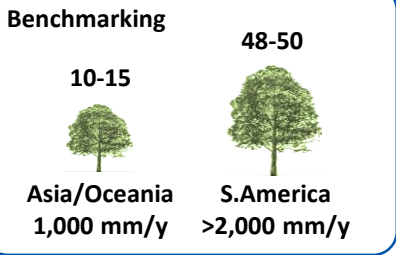
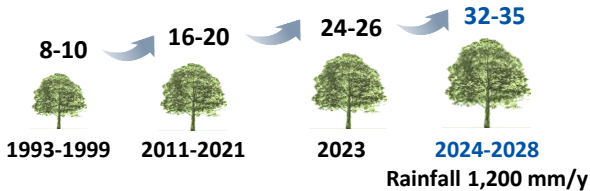
## Clone development for different geography



	Wet	Normal	Dry
<b>Area</b>			
<b>Rainfall (mm/yr)</b>	1,600-2,500	1,200-1,600	<1,200
<b>Yield (Ton/Rai/5Yrs)</b>	18-25T (2023) ▼ <b>32-35T (2028)</b>	15-22T (2023) ▼ <b>25-30T (2028)</b>	14-18T (2023) ▼ <b>20-25T (2028)</b>
<b>Clone</b>			

### Benchmarking with key player

Avg. yield (Ton/Rai/5Y)



## Development of sustainable packaging



### Recyclable mono material bag

Easy-to-recycle and strong protection e.g. export rice bag



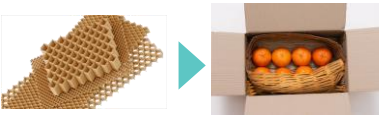
### Pet care products from recycled PET

Higher usage of recycled resin and recycled PET (rPET)



### Packaging for chilled meat

Collaborative innovation with Betagro for paper tray package which is produced from eucalyptus (80% recycled)



### Protective packaging

Biodegradable honeycomb paper with strong cushion for transportation



**3**

# **Social responsibility & stakeholders engagement**

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# Influencing community & enhancing efficient water management

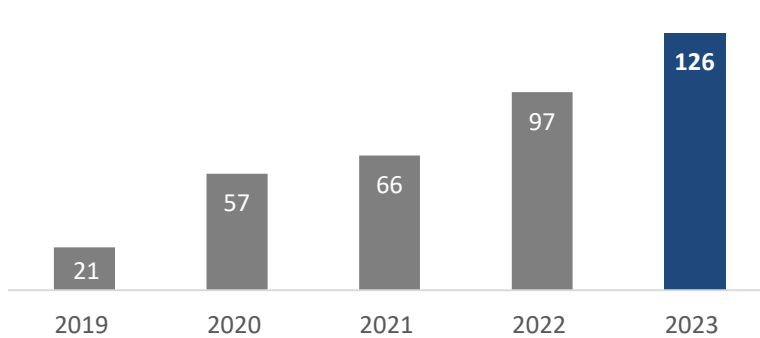
Strengthen collaborative networks with stakeholders toward ESG pathway

## Zero Waste Community

- Establish a practical learning center for sustainable waste management
- Extend project to other areas where SCGP factories are located
- Enhance community innovation in collaboration with SCGP employees

### Accumulated number of zero waste community expansion

Target of 183 communities in 2030



Waste reduction:  
**1,200 Tons**



Community income:  
**6.3 Million baht**



Recovered paper:  
**819 Tons**

\*Accumulated data 2019-2022

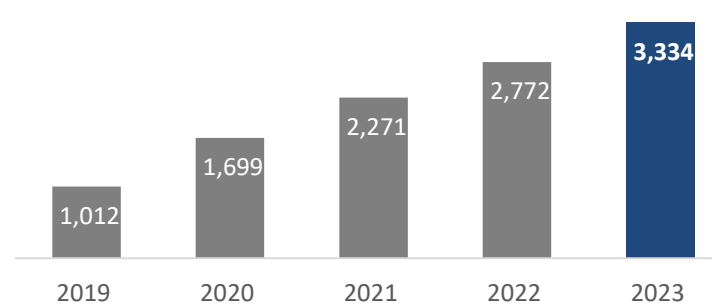


## Water management

- Encourage sustainable water management
- Maximize effective reuse of treated water
- Mitigate hazard risk from natural disasters such as drought and flood

### Accumulated number of check dam expansion

Target of 10,000 check dams in 2030



Water for agricultural project:  
**17.4 Million m3**  
Reducing agriculturist's costs  
**29.8 Million baht**

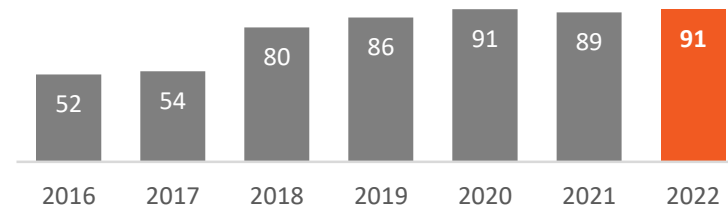


Grease trap:  
**2,190 Tanks**  
in BKK 28 districts

\*Accumulated data 2019-2022

### Community Satisfaction Index (%)

Target of 90% each year



Sample survey of 3,969 individuals<sup>1</sup>

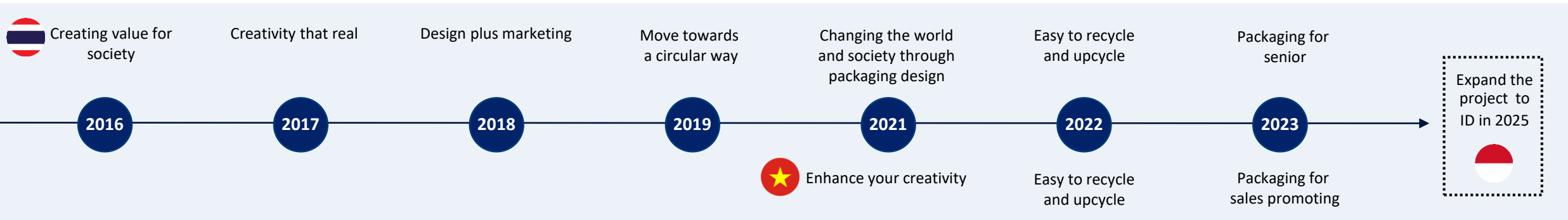
- 3,147 groups of people
- 822 community leaders

# External stakeholders: Platform for packaging design contest

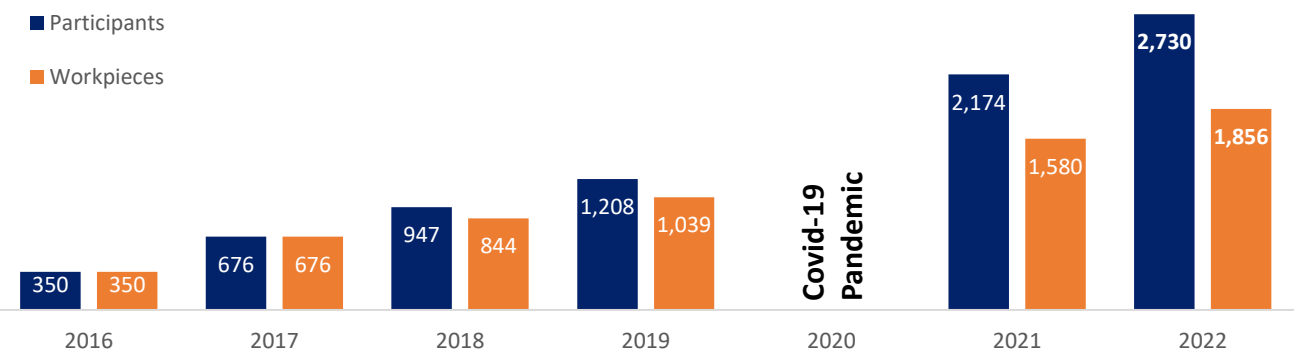
Encourage ASEAN young generations to unleash creative ideas of possibilities for better living & environment

- Elevate the packaging design industry to possess greater potential and competitive abilities
- Cultivate innovative & ESG mindset through topic enhancing business growth and a sustainable world

## Evolving theme and topic to fit with country requirements & ongoing trends



## Accumulated Participants and Workpieces





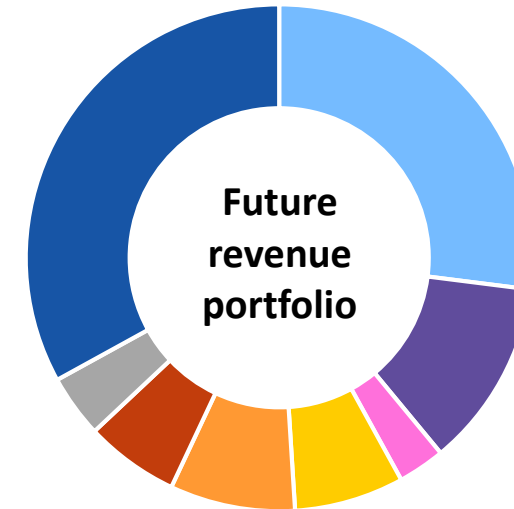
# 4

## Key Takeaways



# Transformative transformation

1. **Heading toward Net Zero 2050 as part of ESG excellence with science based target throughout all operations**
2. **Progressing with quality growth through programmatic M&Ps, pre & post-merger integration and structured governance system**
3. **Advancing innovations for consumer through R&D in renewable materials & sustainable packaging with target to reach 100% recyclability in 2025**
4. **Enhancing competitive advantages and competitive differentiations while managing risk & resiliency through supply chain and business portfolio optimization**



# Appendix





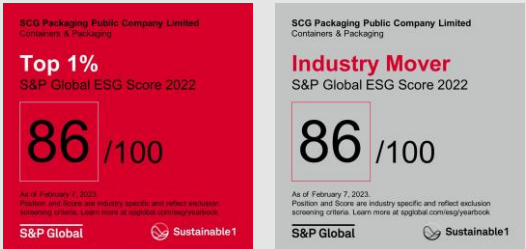
# Making Progress in ESG Efforts

			2022	7M 2023	Goal
E	Recyclability	Recyclable, reusable or compostable from total packaging	99.7%	99.7%	100% in 2025
	GHG	Reduce GHG emission Scope 1 and 2 from base year 2020	12.7%	21.3% Est.2023 14.8%	20% by 2030 Net Zero by 2050
	Energy	Reduce energy consumption from base year 2007	6.8%	7.9%	13% in 2025
	Water	Reduce water withdrawal by BAU from base year 2014	28.0%	29.1%	35% by 2025
S	Employee	Lost Time Injury Frequency Rates (Employee / Contractor)	0.26 / 1.49	0.40 / 0.55	0 by 2024
		Female management	24%	24%	24% by 2025
	Community	Community Satisfaction Index	91%	N/A	90%
G	Anti-corruption	Violation of the anti-corruption policy	0	0	0
	SCG Green Choice Revenue	Sales revenue from products, services, and solutions With SCG Green Choice label	48%	56% (Q2)	66.7% by 2030

# ESG as a core of business practices throughout all operations

## ESG Awards & Recognitions

**Top 1% S&P Global ESG score, Gold Class Level** in Containers & Packaging sector in 2022



With continuous efforts, latest ESG award in Global footprint



“Best Risk Management of the Year at the World Corrugated Forum 2023”



“Top 100 Sustainable Companies award and the Gender Equality in the Workplace award for the year 2022 in Vietnam for VKPC”

## SCGP’s sustainability ratings

No.	Agency	Scale (best to worst)	Latest update
1	S&P Global	100 - 0	86 Score ( <b>Top 1% leading company</b> ), Gold class, Industry Mover (2022)
2	MSCI	AAA - CCC	Rating upgraded to ‘ <b>BBB</b> ’ (Sep 2022)
3	FTSE4Good	5 - 0	Rating score increased to <b>4.1 score</b> (Aug 2023)
4	THSI	-	Listed in <b>SET THSI index</b> in 2022 <b>Best Sustainability Award</b>
5	ecoVadis Business Sustainability Ratings	Platinum - Bronze	<b>Gold Medal</b> (Feb 2023)
6	SUSTAINALYTICS	Negligible - Severe	<b>Low Risk</b> (June 2023)
7	ISCC International Sustainability Is Carbon Certification	-	Duytan, Prepack and Vexcel granted <b>ISCC plus standard</b>

# Thank You

