



**SUMOON FOOD COMPANY LIMITED**

(Registration No. 198304656K)

**SUSTAINABILITY REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

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## **CEO's Statement on Sustainability**

On behalf of the Board of Directors (“**Board**”), I am pleased to present SunMoon Food Company Limited’s (“**SunMoon**” or the “**Company**”) Sustainability Report for the twelve (12) months ended 31 March 2021.

### **About the Sustainability Report**

This report has been prepared with reference to the Global Reporting Initiative Standards (“GRI”) and covers environmental, social and governance (“ESG”) performance of all business divisions and subsidiaries which are under the Group’s financial and operational control.

Information presented in the report has been extracted from our internal records and documents to ensure accuracy using internationally accepted measurement data units. Unless otherwise stated, the information represents that of the Group.

As SunMoon has always embedded sustainable practices in its activities, it welcomes the release of the sustainability reporting guidelines issued by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in July 2016. This initiative has provided us the platform to formalise our sustainability policies and procedures; consolidate our existing efforts; communicate to our stakeholders; and plan further for the future.

### **CEO Statement**

Fiscal year end 31 March 2021 (“FY 2020/21”) has been a difficult year, with the COVID-19 pandemic continues raging around the world, leading to overall macroeconomic downturn and increased uncertainties in the fresh produce markets. While the operating conditions have been adverse, I am very happy to see that our team has put in great efforts to withstand intense pressure and steer the company through the financial year.

Last year, I have said that I believed that the company had overcome the most difficult headwind, and both the team and the business would stabilize and with the room to achieve growth. Today I want to say that our original conviction has not changed. We have made efforts to ensure that the operations of the company maintain healthy in this difficult environment and we still believe that the company will overcome the challenges to perform better. We are committed to lead the company's business gradually back to be commercially viable and through achieving economies of scale to obtain marginal profit and gradually improve profitability.

Through realising that the intense competitive pressures that have become prevalent in the fresh food industry, my team and I increasingly believe that the traditional fresh food trading industry has limitation for further development, and both revenue and profit growth has hit a bottleneck. If the company needs to achieve substantial growth and development, we need to break from this fixed and traditional trading business model and explore other opportunities to achieve self-breakthrough. Therefore, we hope to develop and enhance the company's sustainable development capabilities through the following:

- 1. Innovate and develop new businesses to enhance the company's sustainable development capabilities**

China is a large consumer country with a population of 1.4 billion, and as China's consumption upgrades and purchasing power increases, more and more Chinese people have increasing demands for higher-end food ingredients. While there is no fear of sufficient market demand, the supply of high-quality products in China may not be readily available. Therefore, our team has conducted in-depth research on the Chinese consumer markets and patterns, and through understanding the needs of the Chinese markets, we can target the development of higher-quality products suitable for the

Chinese markets. Finding healthy and delicious high-quality products suitable for the Chinese market will drive our direction. Therefore, developing the exclusive agency business of high-quality products will be one of our key innovative businesses in the next fiscal year. We hope that through this innovative business, we will open up a new product segment for the company and at the same time enhance our profitability.

**2. We will pay more attention to staff selection and training**

We need to innovate and develop new businesses to enhance the company's sustainable development capabilities. Therefore, we need more diverse professionals to join our team to jointly build and develop innovative businesses. At the same time, we also hope that our existing employees will further enhance their comprehensive capabilities through training, so that they can be better qualified for their current jobs and jointly create new value for the company.

**3. We will pay more attention to improving the trusted vendors network**

Compared with distribution channels, we pay more attention to maintain a trusted vendors network. From vendor/supplier identification, evaluation, selection to review, we have a complete supplier assessment and evaluation system. As our strategic goal gradually shifts to higher-quality and higher-end products with higher-value added and competitiveness, we will further raise the standards for vendor/supplier selection. Whether vendor/supplier meets the relevant environmental protection standards will become one of key factors for our selection of vendors/ suppliers.

**4. We will pay more attention to food safety and consumers health**

With the upgrading of consumption and the increase of consumers' awareness of food safety, the traceability of fresh food has become one of the focuses of common concern for us and consumers. Therefore, starting from the import/export of fruit related products, we have cooperated with an international professional traceability system service provider (Dimuto) to jointly establish a traceability system in the origins of Shandong apples and Thai durians, designing and realizing the whole process of product traceability. This traceability system data provides consumers with clear visibility in the complete processes, from farm to fork, and provides an assurance for food safety and controllability. Through the application of science and technology and the implementation of innovative supply chain management models, we fundamentally reduce traditional transaction frictions, and at the same time overcome difficulties in the unfavourable environment and create an advantageous foundation for the company's sustainable development.

SunMoon is a company with a long history. However, as times have changed the operating mechanism of business models, traditional business models are constantly facing challenges. Therefore, we hope to make better adjustments through changes and innovations and adapt to this new era full of challenges and opportunities.

I always reinforce to my team to never mind the past and never fear the future. We will continue to augment our position and strengthen our fundamentals. All these would not have been possible without our valuable stakeholders. On behalf of the Board, I would like to thank our management and staff for their commitment and dedication towards the Group. I would also like to extend my appreciation to our Board of Directors for their insightful guidance. Last but not least, I would like to express my gratitude to our business partners, customers and shareholders for their unwavering trust and faith in us. SunMoon has experienced ups and downs in the past 30 years and now we are preparing to greet the future in steady stride.

Mr Zhang Ye

**Chief Executive Officer**



### **Organisational Profile**

SunMoon is a global distributor and marketer of branded fresh produce, aquatics, animal proteins and other food related products, delivering to the health-conscious consumers in the most convenient way.

Started in 1983, SunMoon has grown and expanded its product offering which includes fresh fruits, vegetables, meat, seafood and French fries under its own brand.

With an extensive global sales network, SunMoon's offering of quality, premium products are distributed via supermarkets, convenience stores, online and wholesale channels, food services as well as SunMoon's franchise outlets in Singapore.

Since 2015, the Company has shifted towards an asset-light, consumer-centric and brand-focused business strategy by tapping on its strong brand equity and the Network x Geography x Product business model. Instead of owning farms, SunMoon sources for fruits and vegetables from farmers.

SunMoon's products come with the SunMoon Quality Assurance label, which is backed by internationally recognised accreditations. SunMoon was listed in 1997 on the Mainboard of the Singapore Stock Exchange and has since grown and expanded its product offerings to meet the discerning consumers of today.

### **Supply Chain (including cold chain processes)**

SunMoon mainly engages packers and growers from countries which include but not limited to, China and countries in the Southeast Asia, Europe, South America continents.

We have continued to build on the supply and sale of packaged, ready to drink whole young Thai coconuts in Singapore and fresh produce, aquatics, animal proteins and other food related products to China.

All of our suppliers must also fulfil our "*SunMoon Quality Assurance*" standards, a strict checklist of freshness, quality and safety, and be accredited with various regulatory credentials.

### **Our People**

Our employees are inspired to be the best they can be, where our team is as diverse as the markets we serve. We foster an open environment where creativity thrives and provide our people with the opportunities they need to develop their skills. As at 31 March 2021, the total number of employees in the Company is 17 and the gender breakdown is 8 Female, 9 Male. All of our Company's activities are performed by our employees. We do not have any collective bargaining agreements in place.



### **Ethics and Integrity**

At SunMoon, we believe that nothing is more important than the health of our customers and their families. We understand that the food we eat have direct impact on our constitution and overall well-being. Thus, we deliver from farm to fork quality nutritious, fresh produce, aquatics, animal proteins and other food related products in the best and most convenient way. Our promises are:-

- a) To source the best quality fruits from around the world
- b) To deliver you a product that is safe for consumption
- c) To provide great value in affordability of price
- d) To safeguard your interests at all times

Because of our good values, principles and standards, we have been a trusted brand in the fruit industry since 1977 and customers return for our trusted products from time and time.

At the employee level, we have a code of business ethics that all employees are required to follow.

### **Stakeholder Engagements**

Our stakeholders are identified and prioritised based on our relationship of reliance and impact on each other. Their needs and concerns are what drive our sustainability practices and measures. The following are stakeholders that we have engaged and identified:

1. Customers
2. Suppliers
3. Authorities/Agent
4. Shareholders
5. Employees

#### **Customers**

We engage our customers by carrying out adequate background checks including but not limited to whether they have healthy credit, the customer's capacity, annual turnover and total paid up capital. We may also have customer satisfaction surveys and/or feedback and our staff can assist our customers if the need arises. Generally, our customers want more stock and more varieties of fruits to fulfil end-consumers' demand.

### Suppliers

The identification of suppliers is crucial and is an important part of SunMoon's business operations. SunMoon will carry out background checks on our suppliers to ensure that their products meet our "SunMoon Quality Assurance" stringent standards which include the types, quality, safety of the products they supply, past experiences and track records. It is also important to take note that if the selected suppliers do not meet our "SunMoon Quality Assurance" and/or delivery targets, SunMoon will not hesitate to look for replacement suppliers. Management will undertake due diligence checks by visiting the farms of the selected suppliers so as to assess and ensure that the suppliers are able to meet our "SunMoon Quality Assurance" and that their operations are sufficient to meet delivery targets.

As the industry is continuously developing, we are also in the process of developing sustainability and green standards for our suppliers to adhere to. In the course of the last FY2020/21, we have engaged to ensure that our suppliers and/or products meet the "Marine Stewardship Council" accreditation. Our suppliers are concerned with the cost of business, speed of delivery and the quantity and quality of delivered products.

### Authorities/Agent

We may, as and when required, engage with the authorities/agents to assist them in the compliance of different regulatory, compliance and licensing/certification requirements across different borders. Effective engagement with the authorities/agents can reduce any delays or additional costs caused by licensing, importing or any other issues that may arise.

### Shareholders

We understand that our investors are concerned with the economic performance of the Company. As such, SunMoon is committed to disclose relevant and material information to its shareholders, the investment community and the public in a timely, accurate and transparent manner, in accordance with the listing rules of the SGX-ST, and the Singapore Code of Corporate Governance (dated 6 August 2018). Our disclosures are made public through SGX-ST's SGXNet and on the Company's corporate website at [www.sunmoonfood.com](http://www.sunmoonfood.com). We regularly communicate through our nominated spokespersons to ensure consistency in messaging, addressing concerns and queries as well as managing the expectations of shareholders and the investment community. We also regularly engage shareholders, and/or potential investors, and the media through the Annual General Meeting and Extraordinary General meeting, conference calls, analyst briefings, media interviews and luncheons, Annual Reports, Press Releases and announcements on SGXNet.

### Employees

Our employees go through regular feedback and appraisals and have ample opportunity to develop their skills and competencies. They also have the opportunity to take on greater roles and responsibilities. Our employees would like better incentives and performance bonuses as well as better work life balance.

### Reporting Practice

The extensive list of GRI topics were discussed between the Company's senior management and they have shortlisted the top 5 most relevant topics. Following that, the top 5 material topics were presented to and approved by the board.

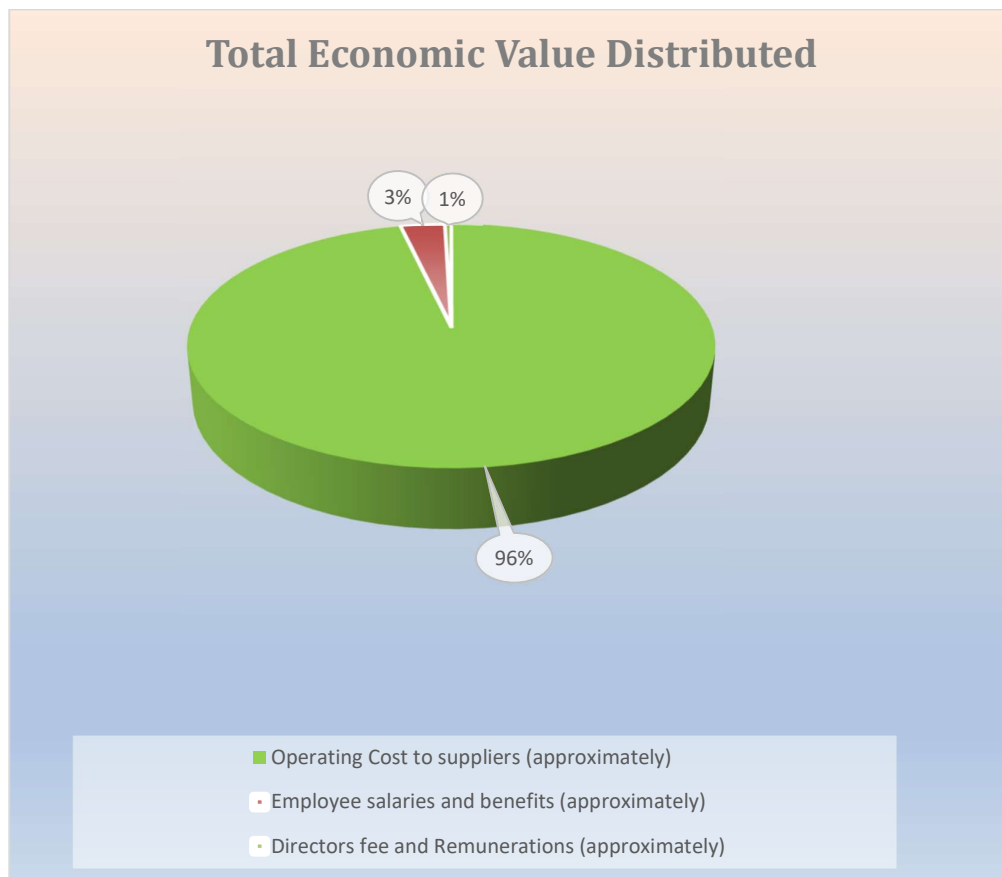
The topics that SunMoon will be covering are:-

1. GRI 201 Economic Performance;
2. GRI 204 Procurement Practices;
3. GRI 308 Supplier Environmental Assessment;
4. GRI 401 Employment; and
5. GRI 404 Training and Education.

The reporting period is from 1 April 2020 to 31 March 2021. This reporting period is in accordance with the SGX Guidelines Practice Note 7.6 and is the third Sustainability Report the Company has made. The reporting cycle will be prepared annually in respect to SGX-ST Listing Rules Practice Note 7.6. The contact point for any questions regarding the report or its contents can be sent to [enquiry@sunmoonfood.com](mailto:enquiry@sunmoonfood.com). There is no restatement of information for this Sustainability Report.

The report is based on the Global Reporting Initiative Standards. SunMoon has not engaged any external assurance for this Sustainability Report.

### **GRI 201: ECONOMIC PERFORMANCE**



Due to the nature of SunMoon's business, climate change and weather will invariably have a direct impact on our products. Bad weather conditions caused by climate change will have a negative impact on product quality and quantity. In view of the Covid-19 pandemic, some of our supplier's production, international shipping lanes and workers were affected which had resulted in the

production volume being greatly reduced. We recognize the impact of climate change on our revenues and so endeavour to involve all our partners to participate and engage in sustainability practices.

Given the changing nature and landscape of SunMoon's business, the Company's has been looking to increase its existing product offerings. In particular, the intent is to identify and source for products which are less susceptible to climate changes.

SunMoon has received Job Support Scheme grant from the Singapore Government. This has helped SunMoon in the reduction of salary expenditure. In addition, SunMoon has also received property tax relief rebates as part of the Singapore Government's initiative as a result of the Covid pandemic and this has helped and reduced SunMoon's rental costs. These grants given have provided the support to the Company to improve our capabilities.

For detailed financial results, please refer to our financial statements as set out in the Annual Report 2020/21.

#### **GRI 204: PROCUREMENT PRACTICES**

SunMoon has implemented improved global procurement strategies, and manages a carefully controlled process based on the "SunMoon Quality Assurance" standard. Fruits from certified plantations are selected according to the "SunMoon Quality Assurance" standard, a critical checklist of freshness, quality, and safety as demanded by our discerning customers; a reputation also backed up by internationally recognised accreditations.

As fresh fruits, vegetables, meat, seafood and French fries are perishable goods, we do not keep large inventories and our operational model is mainly to work with our suppliers so as to undertake direct shipping of the fresh fruits. Accordingly, our procurement budget is substantially spent on suppliers.

#### **GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT**

All suppliers must be approved according to SunMoon's set of selection criteria to ensure product quality and branding. Complementing quality assurances and our brand, we at SunMoon believe strongly in protecting and caring for our environment. As such, we at SunMoon will make a conscientious effort in developing and, in due course, implement environmental assessment processes.

#### **Target for subsequent reporting**

In view of the COVID-19 pandemic, it has indirectly affected SunMoon in its selection of suppliers. Nevertheless, SunMoon remains committed to increase the existing number of suppliers, both internationally and locally in the People's Republic of China to meet both international and local demand as suppliers adapt their operations to mitigate and navigate through the worst of the pandemic's impacts.





#### **GRI 401: EMPLOYMENT**

There are 8 new employee hire during the reporting period with 3 below 30 years of age, 5 are between 30 to 50 years of age. The makeup of the new hires comprises of 5 female and 3 male. The total number of employees<sup>(1)</sup> for the FY2020/21 is 17 which comprises of 8 female and 9 male.

SunMoon also provides various benefits to full time employees such as free medical services at one of our panel clinics, dental and specialist medical benefits. Additionally, we are supportive of family life and work-life balance and offer various types of leave for our employees such as parental, marriage, maternity, paternity, childcare, examination, and compassionate leave. However, none of our employees have utilised their parental leave during the reporting period.

**Note:**

(1) For SunMoon's PRC entities, there were a total of 1 female and 2 males who were hired and resigned for FY2020/21. In Singapore, there were a total of 1 female resignation during FY2020/21.

#### **GRI 404: TRAINING AND EDUCATION**

As part of SunMoon's policy of constant training and professional development for our employees, we send our employees to various training programs in order to upgrade their skills and competencies; this improves employees satisfaction and helps our staff perform even better at their jobs. For example, our finance team was sent to continuing professional development courses to improve employees' knowledge and skill, such as online courses conducted by taxChina at < <https://kj.taxchina.com/shanghai/main> >. Additionally, we will also send our employees to participate in large-scale exhibitions, such as, the Asia seafood exhibition National gift exhibition and China Export and import exhibition in the People's Republic of China. On an ongoing basis, the Company will seek to ensure that senior management are considered for leadership training to ensure that their skills and knowledge remain relevant.

The average hour of training per year per employee is approximately 17 hours. All of our employees have annual performance reviews being carried out as part of our Company's policy. They receive regular performance and career development reviews as feedback so that they can continue to improve.

**Target for subsequent reporting**

SunMoon is pleased to report that we have achieved the target to maintain our training hours for our employees and costs to be set aside in upgrading the skills of our staff in FY2020/21. For the upcoming financial year, our target is to increase the number of training hours (from the existing 17 hours) as well as to send all directors of SunMoon for training on the roles and responsibilities of a director of a listed issuer.



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