



SUMOON FOOD COMPANY LIMITED
(Incorporated in the Republic of Singapore)
(Registration No. 198304656K)

SUSTAINABILITY REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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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 2022 ("**FY2021/22**").

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 our activities, we welcome 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

The operating environment has become even more challenging for SunMoon during FY2021/22. It was the third year since the outbreak of the pandemic. Since the Russian-Ukrainian war broke out in February 2022, many bad news had followed one after another, such as the depreciation of many currencies sharply against the US dollar, the sharp correction in the stock markets, soaring oil prices and the intensification of the food crisis due to many disruptions. The forecast for global economic growth is expected to decline, and the world has to confront with crisis of many dimensions.

Amidst the unprecedented crisis, SunMoon has carefully and calmly reviewed our internal and external operating environment. We believe that confidence is the greatest wealth. As we identify the opportunity to seize the opportunity from the crisis, we believe in ourselves to be able to work towards achieving our goals. We believe overtly focusing on short-term benefits may derail us in setting a better direction to pursue long term goals, we steadfastly focus on our business philosophy to pursue long-terms goals that we believe will be more sustainable for our future.

The motto of "*Confidence*" and "*Future*" enable SunMoon to learn and improve the relationships among people, society and the world, strengthen the connection with each other, and promote mutual symbiosis and development.

Love the people: SunMoon takes providing safe and delicious food to tens of thousands of consumers around the world as a lifelong goal

SunMoon, as a professional supply chain service provider, has been constantly working tirelessly selecting high-quality, green and safe products for end consumers for more than 30 years. Starting from a single category of fresh apples, we have been gradually expanding to many product categories and growing individual category. As of today, SunMoon has been involved from fresh fruits, vegetables categories to frozen meat and aquatic products categories, and to pre-packaged health and nutritional products. SunMoon respects every consumer and shares our love by providing increased product varieties and will ultimately meet the consumers' expectation regardless of changing consumer dietary needs and preferences. SunMoon takes consumer needs as the direction and put in efforts to satisfy

these needs. SunMoon has strict selection criteria with established product quality assurance standards to choose the right suppliers as our business partners to ensure the bringing of the best products and dietary experiences to every consumer.

Love the society: SunMoon always remembers our social responsibilities and strives to fulfill the responsibilities of a company to the society

SunMoon's business model reaches the upstream manufacturers/plantations, reaches the downstream end consumers, from the farm to the fork. As an end-to-end food supply chain company, we play an important role in the supply chain industry. We strictly comply with relevant laws, regulations and business guidelines, and we will not pursue company's interest at the cost of causing harm to the entire "eco system". Because we know that supply chain can only be developed into a "value chain" with a balanced sustainable operating environment, and a sustainable "value chain" is our ultimate business goal.

Love the world: SunMoon has always been a member of the global village. Although we are a passer-by for a hundred generations, the flapping of the butterfly's wings can still shake the lake and sea

The Earth, this piece of land and this piece of sky are the most precious wealth we can leave to the future generations. We strive to reduce its consumption and protect its beauty. We select upstream suppliers with strict criteria including encouraging them to grow green. We select logistics vendors with strict criteria including encouraging them to save energy and reduce emissions. SunMoon hopes to influence the world subtly through our small efforts, and through strategy alliance with business partners to protect green homes on earth.

On the roadmap to sustainable development, SunMoon has encountered many challenges. Especially at the moment when the global economic situation is becoming more challenging than ever, it becomes difficult for SunMoon to fully integrate and pursue sustainability efforts. However, SunMoon will strengthen "Confidence" and look forward to the "Future". SunMoon endeavours to overcome all difficulties to fulfil our commitment to be an advocate for corporate social sustainability.

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 our product offering which includes fresh fruits, vegetables, meat, seafood and French fries under our 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 our strong brand equity and the Network x Geography x Product business model. Instead of owning farms, SunMoon sources for products (including but not limited to 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 our 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 South East 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 2022, the total number of employees in the Company is 19 and the gender breakdown is 8 Female, 11 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 and other fresh produces 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 and other fresh produce 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 and/or production factories 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, SunMoon has to remain agile and be sensitive to commercial needs as we develop sustainability and green standards for our suppliers to adhere to. While SunMoon remains committed to identifying suppliers and/or products with the necessary sustainable accreditations, SunMoon recognises the practical challenges given that suppliers remain predominantly concerned with the cost of business, speed of delivery and the quantity and quality of delivered products.

SunMoon is in the midst of sourcing new local suppliers: 2 suppliers have been secured for plantation suppliers, and the Company is in the midst of discussion with 2 other potential suppliers. SunMoon is pleased to announce that it has secured more than 3 suppliers for pangasius fish and is at the stage of discussion with 2 more suppliers.

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 our 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. 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.

Climate Change Disclosure

This is the SunMoon's first climate-related report.

As an end-to-end food supply chain company, SunMoon relies primarily on ground transportation for the fulfilment of orders. In this regard, SunMoon aims to reduce carbon emission caused by transportation of goods by increasing the number of ports and warehouses in our supply chains.

In FY2021/22, the Company has increased the number of ports where we import our goods. 60% of the Company's import business is completed through the Guangzhou/Qingdao port, thereby reducing the volume for transportation of goods from Shanghai to other cities. By increasing the number of regional warehouses in the different cities, 60% of the goods can now be delivered locally, which reduces the greenhouse gas emissions from the transportation of goods between cities.

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.

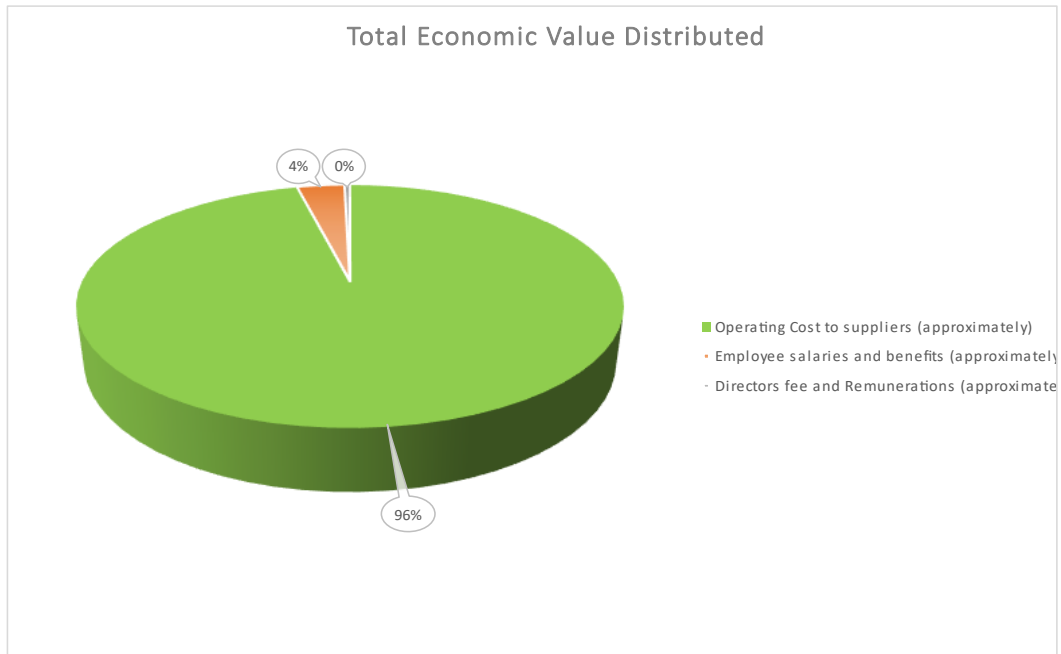
The topics that SunMoon will be covering are:-

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 2021 to 31 March 2022. 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. 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 our 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.

For detailed financial results, please refer to our financial statements as set out in the Annual Report 2022.

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. SunMoon is assessing and exploring commercially viable options so as to incorporate climate and environmental considerations into the “SunMoon Quality Assurance” standard in the coming years.

We do not maintain inventories for fresh fruits and vegetables as they are perishable goods. As for frozen meat, frozen seafood and milk powder, our inventories are typically maintained at a varying level

which is usually an estimation based on prevailing customers' order. Our business operational model is therefore to, work with our suppliers so as to undertake direct shipping of the fruits and vegetables to ensure its freshness and to maintain inventories level based on prevailing customers' orders. 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. In FY2021/22, SunMoon is committed to ensuring quality control ("QC") starting from our selection of suppliers. The Company has started adding "green" environmental protection consideration as a key factor when selecting suppliers and products and is pleased to inform that SunMoon had designated a new person in charge of the production area in Yantai for the purposes of QC. SunMoon aims to onboard more professionals with the necessary expertise and will work together on product selection, storage, processing, export and logistics to achieve the goal of sustainable business development.



Target for subsequent reporting

In view of the COVID-19 pandemic, it has indirectly affected SunMoon in our 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 14 new employee hire during the reporting period with 3 below 30 years of age, 5 between 30 to 40 years of age, 5 between 40 to 50 years of age and 1 between 50 and 60 years of age. The makeup of the new hires comprises of 9 female and 5 male. The total number of employees⁽¹⁾ for the FY2021/22 is 19 which comprises of 8 female and 11 male.

SunMoon also provides various benefits to full time employees such as free medical services at one of our panel clinics, 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.

As part of the Company's business development, SunMoon continuously upgrades our team structure by improving professionalism amongst our staff and ensuring that the job positions are properly staffed.

SunMoon is pleased to announce that the recruitment of core key personnel has been completed for project Vietnamese Pangasius, which has been launched successfully.

In addition to the recruitment of QC personnel in the production area of Yantai, more professionals such as the senior management for the export business and professional project managers for the production areas are scheduled for onboarding in the month of November for FY2022/23.

Note:

(1) For SunMoon's PRC entities, there were a total of 6 females and 1 male who were hired and resigned for FY2021/22. In Singapore, there was no resignation during FY2021/22.

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 other training courses and large-scale exhibitions, such as, global fish exhibition in Qingdao and the other region areas of China and the Fourth Import and Export 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 has managed to maintain our training hours for our employees and costs to be set aside in upgrading the skills of our staff in FY2021/22. For the upcoming financial year, our target is to continue maintaining the number of training hours (at 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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