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Sustainability Report

Sustainability Report

1.0 REPORT SCOPE

1.1 OVERVIEW

Qian Hu Corporation Limited views sustainability as business-critical and has been a forerunner in sustainability reporting efforts since FY 2011 when we published our very first Sustainability Report. Our latest Sustainability Report 2022 (or “the Report”) provides insights on how we seek to create sustained economic value for all our stakeholders while respecting the environment and positively impacting peoples’ quality of life.

It encompasses Environmental, Social and Governance (ESG) issues in our markets of operations: Singapore, Malaysia, China, Thailand and Indonesia unless otherwise stated. All figures are represented in Singapore dollars. It covers the period from 1 January 2022 to 31 December 2022 (“FY 2022”). There were no significant changes this year to the organisation’s sectors, value chain and other business relationships during the reporting cycle.

1.2 ABOUT THIS REPORT

We recognise the need to disclose information in a comparable and transparent manner. In this regard, we have prepared this report with reference to the GRI (Global Reporting Initiative) Standards which is globally recognised. In addition, we have disclosed our first TCFD (Task Force on Climate-related Financial Disclosures) Report to understand and manage climate risks and opportunities. The GRI Content Index and TCFD Content Index, along with the applicable disclosures, are detailed on pages 73 to 77 of the Report.

The Report complies with the SGX-ST Listing Rules 711A and 711B and Practice Note 7.6 Sustainability Reporting Guide. The Report has not been externally assured. We relied on our internal verification mechanisms to validate the accuracy of our reporting. Nevertheless, we plan to seek external assurance in the future.

The content presented in the Report is divided into nine sections. Section 1 brings the key message from our Board of Directors, highlighting the commitment of Qian Hu to strengthen our resilience to climate change and deliver long-term value to our stakeholders. Section 2 outlines our sustainability governance structure and strategy, followed by our approach to stakeholder engagement and defining material ESG topics. In the same section, we have aligned our sustainability efforts to specific UN SDGs (United Nations Sustainable Development Goals) and applicable GRI standards. We have also demonstrated our progress against our sustainability targets. Sections 3, 4, 5 and 6 outline our management approach, including our policies, practices and performance in relation to the material ESG topics identified. Section 3 emphasises the Environmental, while Sections 4, 5 and 6 looks at Social, Governance and Economic Performance, respectively. Information relating to Investor Relations is set out in Section 7, followed by Sections 8 and 9 containing our GRI and TCFD indices.

We value all feedback on the Report as we continuously strive to improve our reporting. Please submit all feedback, questions and views to feedback@qianhu.com.



1.3 MESSAGE FROM THE BOARD

Dear Stakeholders,

The events of 2022 have underscored the fragility of our global economic, environmental and social systems. At Qian Hu, we understand that the need for business transformation and collaboration has never been more urgent. As Qian Hu emerges from the COVID-19 pandemic, we are sharpening and enhancing our business portfolio and focusing our innovation in areas where our technology and capabilities can make a difference.

We acknowledge that embedding sustainability into the core of our business is the key to business resilience. Therefore, in our 12th Sustainability Report, endorsed by Qian Hu's Board of Directors and Management, we highlight our ESG performance and steps taken over the prior year to advance our sustainability goals.

There is no doubt that climate change poses significant risks but also opportunities for businesses. We are committed to strengthening our resilience and facilitating a fair transition to a lower-carbon future. We have also started gradually adopting the TCFD recommendations. In addition, we have begun developing and reporting our Scope 1 and Scope 2 greenhouse gas (GHG) emissions to understand our baseline emissions for the first time. In the coming years, we plan to develop our Scope 3 inventory and a decarbonisation plan, including setting GHG reduction targets for the Group.

We are cognisant of the role of Singapore's aquaculture sector in contributing to our local food production and food security. Through our fast-growing aquaculture business, we support the Singapore Government's target to produce 30% of the country's food requirements by 2030. This could help reduce Singapore's reliance on food imports, acting as a buffer during supply chain disruptions. In December 2021, we signed a Memorandum of Understanding (MoU) with AquaEasy Pte Ltd to deploy Artificial Intelligence (AI) and Internet of Things (IoT)-based solutions to raise productivity and implement sustainable aquaculture practices. Looking ahead, we have plans to expand this to the rest of our aquaculture business and will report its progress.

Keeping our employees well taken care of and providing a safe working environment continues to be one of our top priorities. Therefore, we implement initiatives that promote the well-being of our employees and constantly explore new avenues to engage them. Our overall employee satisfaction index score in FY 2022 stood at 4.6 out of 6 (2021: 4.71). We will continue working towards enhancing workplace practices for all.

Qian Hu is a responsible corporate citizen and we will continue to give back to our communities. Our outreach initiatives help to fortify the fabric of our workforce as we band together for the great good of the community. We support social causes, enterprises and entrepreneurship. In FY 2022, our Singapore-based employees visited the MWS Nursing Home and Ren Ci Nursing Home and made monetary donations. Furthermore, our employees in Guangzhou (China) visited a nursing home and provided blankets and thermo-flask donations, as well as assisted at a COVID-19 control centre.

In line with our corporate vision and mission, Qian Hu endeavours to continue to deliver long-term value to all our key stakeholders while progressing our sustainability goals. We remain guided by the attentiveness to stakeholders needs, steadfast and committed to addressing climate change issues and adherence to the sustainable framework we have put in place to track our progress.

Sincerely,

Board of Directors

Qian Hu Corporation Limited

Sustainability Report (Cont'd)

1.4 KEY HIGHLIGHTS



Environmental

1. Embarked on a collaboration with AquaEasy Pte Ltd to deploy its revolutionary Artificial Intelligence (AI) and Internet-of-Things technology to achieve higher productivity and predictability.
2. To remain climate-resilient, Qian Hu has started adopting the TCFD recommendations and planning to strengthen the disclosures in the coming years.
3. Developed and reported Scope 1 and Scope 2 GHG emissions with the view of developing Scope 3 inventory and a decarbonisation strategy in the coming years.



Social

1. Maintained a strong track record for safety with zero fatalities and reportable workplace accidents across all our entities.
2. Achieved an average of 10.4 training hours per employee.
3. Maintained zero substantiated complaints concerning breaches of customer privacy and losses of customer data.



Governance

1. At the 17th Singapore Corporate Awards held on 30 August 2022, Qian Hu clinched:
 - Gold Award for Best Managed Board
 - Gold Award for Best Annual Report
 - Bronze Award for Best Investor Relations (for SGX listed companies with a market capitalisation of less than S\$300 million)
2. Maintained zero confirmed cases of non-compliance with relevant laws and regulations.



2.0 OUR APPROACH AND STRATEGY

2.1 GOVERNANCE STRUCTURE

Qian Hu has a dedicated governance framework in place to drive, govern and manage the sustainability function to ensure that core material issues are incorporated into our corporate agenda. This structure drives our priorities to protect long-term interests and create value for our stakeholders.

The Board of Directors has the ultimate responsibility for the Group's sustainability strategy and maintains oversight of the Group's sustainability direction. The Board is kept apprised of sustainability programmes, activities and progress regularly, and reviews the sustainability strategy annually. The strategy is reviewed against the overall business strategy, taking into consideration prevailing trends, economic conditions and geopolitical issues which may affect the Group.

Reporting to the Board of Directors, a Sustainability Committee, chaired by our Chief Executive Officer, has been set up to champion our sustainability causes, as well as to spearhead sustainability projects and initiatives, including the setting of sustainability performance benchmarks and key performance indicators.

The Sustainability Committee is supported by the Sustainability Reporting Team, which form the core of our sustainability structure, and is made up of representatives from our operating entities in Singapore, Malaysia, China, Thailand and Indonesia. The team is actively involved in driving the execution, reporting and implementation of our sustainability strategy and programmes in their respective entities. This includes collaborating on sustainability initiatives and sharing sustainability best practices across the Group, as well as overseeing the monitoring of quantitative and qualitative measurements and working closely with all the business functions, namely, operations, human resource and procurement in the Group's sustainability efforts.

SUSTAINABILITY GOVERNANCE STRUCTURE



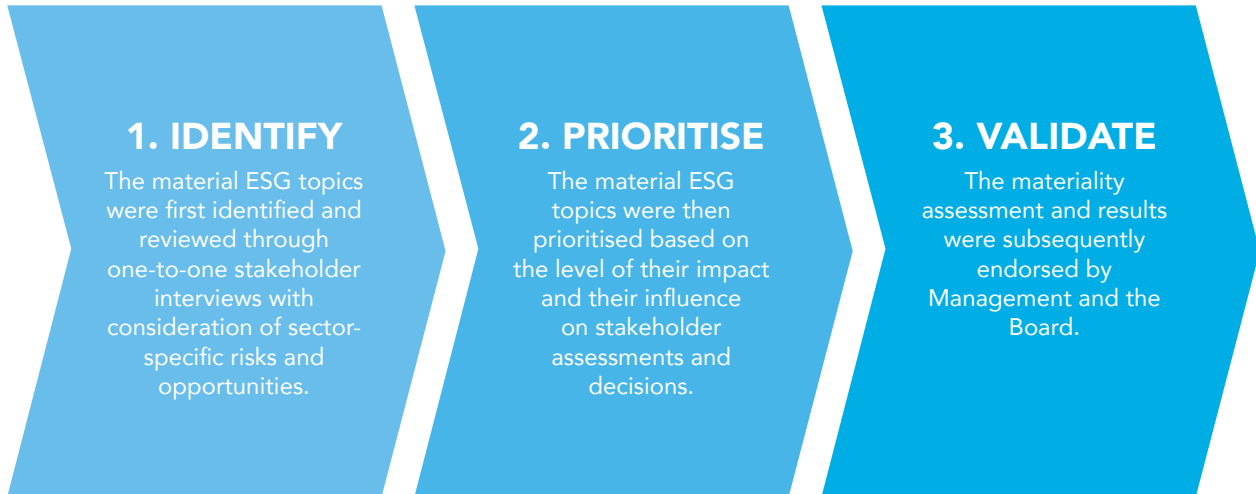
Sustainability Report (Cont'd)

2.2 MATERIALITY ASSESSMENT

In FY 2022, Qian Hu held a materiality workshop to refresh our material ESG topics. We took the opportunity to review our current sustainability strategy and focus areas to ensure that we continue to address our stakeholders needs. KPMG Services Pte. Ltd. was engaged to conduct the materiality workshop.

The materiality assessment was undertaken through a three-step approach as below:

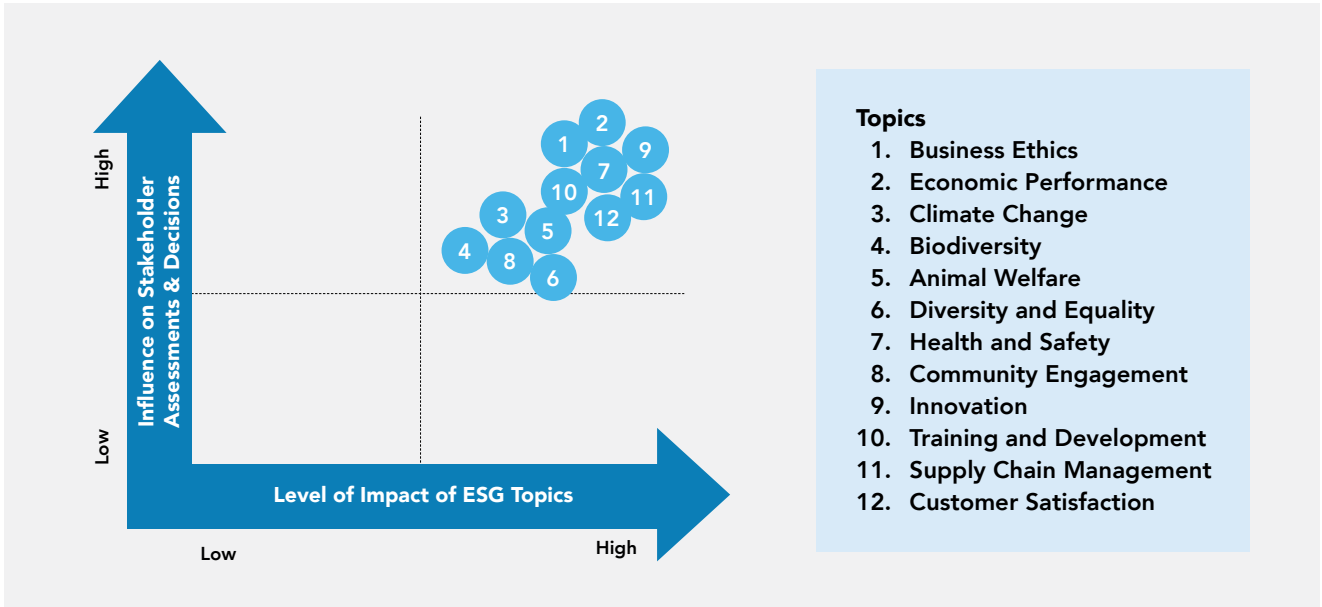
MATERIALITY ASSESSMENT APPROACH



During the materiality assessment process, the Management prioritised these ESG topics based on the significance of their impacts on Qian Hu and their influence on our stakeholder assessments and decisions. The materiality assessment was conducted in line with the guidelines by GRI Standards in connection with the materiality principle.

The below materiality matrix shows how the ESG topics identified were prioritised during Qian Hu’s materiality assessment using the abovementioned factors as the X- and Y-axis respectively.

MATERIALITY MATRIX



We have identified 10 ESG topics to be material to our business and have outlined how we managed each topic in relevant sections of this report as shown in Table 1.

TABLE 1: ESG MATERIAL TOPICS

ENVIRONMENTAL	<ul style="list-style-type: none"> 1. Climate Change (Section 3.1) <ul style="list-style-type: none"> - Energy and Emissions - Water Management - Waste Management 2. Animal Welfare (Section 3.2) 3. Biodiversity (Section 3.3)
SOCIAL	<ul style="list-style-type: none"> 4. Training and Development (Section 4.2) 5. Health and Safety (Section 4.3) 6. Customer Satisfaction (Section 4.4) 7. Innovation (Section 4.5) 8. Supply Chain Management (Section 4.6)
ECONOMIC AND GOVERNANCE	<ul style="list-style-type: none"> 9. Business Ethics (Section 5.1) 10. Economic Performance (Section 6.0)

We recognise the emerging awareness on the evolving needs to address the risks of operating in the aquaculture sector, in particular, our operations are associated with impacts on biodiversity, genetic diversity and natural ecosystem. The handling of livestock also requires us to consider animal welfare constantly. Thus, in FY 2022, we have identified two new ESG topics: “Animal Welfare” and “Biodiversity”.

Sustainability Report (Cont'd)

Table 2 highlights our reported topics for FY 2022 and how they have mapped to the topics reported in FY 2021.

TABLE 2 – REPORTED TOPICS







	Topics Reported for FY 2022	Mapped to Material Topics Reported for FY 2021	Importance and Reasons for Inclusion
1	Climate Change (Section 3.1)	Environment Management	Climate action is a business imperative and we need to address the impacts we have on the environment and the impacts of climate change on our business.
2	Animal Welfare (Section 3.2)	N/A; New Material Topic Identified in FY 2022	We deal with livestock and are responsible for keeping animal welfare in mind and maintaining the well-being of animals under our care.
3	Biodiversity (Section 3.3)	N/A; New Material Topic Identified in FY 2022	We are conscious of our business activities' impact on surrounding ecosystems and habitats.
4	Training and Development (Section 4.2)	Training and Education Employee Engagement	To ensure that the Group is well-positioned to fulfil its business objectives and move towards long-term sustainable growth, we continuously identify and groom talent in our niche sector and invest in employee development.
5	Health and Safety (Section 4.3)	Workplace Safety Product Health Management	Any disregard for health and safety aspects can have detrimental effects on the organisation and the well-being of our employees and customers. The nature of our operating environment requires us to pay utmost attention to the health and safety of our employees.
6	Customer Satisfaction (Section 4.4)	Customer Satisfaction	Our customers are crucial to the long-term sustainability of Qian Hu. We are committed to providing our customers with high-quality goods, dependable service, attentive after-sales support and we take the security of our customers' data and privacy seriously.
7	Innovation (Section 4.5)	Innovation	The needs of our customers are constantly changing and we need to innovate to stay relevant and to maintain our leadership in this sector.
8	Supply Chain Management (Section 4.6)	Supply Chain Management	Supply chain risks have the potential to impact our business. We need to maintain a reliable and sustainable supply chain so as to minimise potential disruptions to our business operations.
9	Business Ethics (Section 5.1)	Anti-Corruption Corporate Governance Human Rights	We uphold the highest ethical standards and conduct our business in compliance with all applicable laws and regulations.
10	Economic Performance (Section 6)	Economic Performance	Our internal and external stakeholders expect Qian Hu to deliver on financial performance and our value-added contribution to the societies and communities we operate in.
11	Non-Material Topic Diversity and Equality (Section 4.1)	Non-Discrimination & Diversity	Qian Hu inevitably has more male representation in our operational team due to the nature of our operations and the shortage of female workforce in this sector. We acknowledge this and will continue to practise inclusive hiring and strive to develop a diverse talent pipeline where feasible.
12	Non-Material Topic Community Engagement (Section 4.7)	Community Involvement	The involvement in the community has been a longstanding component of Qian Hu's DNA, whereby our community contribution efforts can be traced back to our early days. We will continue our efforts to contribute and give back to the community.

2.3 STAKEHOLDER ENGAGEMENT

In FY 2022, there were no significant negative impacts caused by our business activities and operations identified during our stakeholder engagement. Our stakeholders are defined as those whom our activities and business operations will impact. They include our suppliers, customers, employees, community, investors and regulators. Our stakeholder groups, their key issues and our engagement platforms are defined in Table 3.

We communicate with our stakeholders on a frequent basis through a variety of channels to make sure that our business interests are aligned with theirs. These stakeholder consultations also help us identify the impacts of our business activities and operations. Through effective stakeholder engagement, we are able to better understand and address their concerns.

TABLE 3 – APPROACH TO STAKEHOLDER ENGAGEMENT

Stakeholder Group	Key Issues Raised	Engagement Platforms
Suppliers 	<ul style="list-style-type: none"> Product quality assurance Product pipeline Supply chain management 	<ul style="list-style-type: none"> Suppliers' Code of Conduct Monthly supplier visits and/or meetings Quarterly review meetings
Customers 	<ul style="list-style-type: none"> Customer satisfaction Quality products and services Available feedback platforms Sustainability efforts 	<ul style="list-style-type: none"> Annual customer satisfaction survey Farm visits Product training Qian Hu's owned websites Qian Hu's social media platforms Feedback handling through emails and/or phone calls
Employees 	<ul style="list-style-type: none"> Benefits and remuneration Employee engagement Talent retention and career progression Employee safety and well-being Training and development 	<ul style="list-style-type: none"> Quarterly employee dialogue and sharing sessions Mobile-based chat groups Regular floor walks Bi-annual "Fish Matrix" newsletter Annual employee opinion survey Employee appraisal Internal and external trainings Whistle blowing policy
Community 	<ul style="list-style-type: none"> Doing our part as responsible citizens 	<ul style="list-style-type: none"> Educational farm tours Employee community programmes and initiatives Business community interactions and sharing sessions
Investors 	<ul style="list-style-type: none"> Financial performance and stability Long-term growth plans Business diversification Operational efficiency Regulatory compliance Risk management Corporate governance Sustainability efforts 	<ul style="list-style-type: none"> Dedicated Investor Relations page on corporate website Half-yearly financial results announcements Media releases and interviews 1-on-1 meetings Annual General Meeting ("AGM") Detailed AGM minutes available online
Regulators 	<ul style="list-style-type: none"> Compliance with laws and regulations Anti-corruption and bribery 	<ul style="list-style-type: none"> Open communication channels with government agencies and regulators across different business aspects Regular communications with Animal & Veterinary Service (a cluster of National Parks Board) and Singapore Food Agency on statutory requirements and new developments in the ornamental fish sector as well as food safety and security issues

Sustainability Report (Cont'd)

2.4 ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

The UN SDGs rally governments and corporations to secure the well-being of people, societies, and the planet by providing a blueprint to address the world's most pressing sustainability development challenges. Qian Hu supports the UN SDGs and has aligned the sustainability efforts with seven SDGs most relevant to our business operations for the first time in FY 2022.

Table 4 outlines how we have mapped out our material topics to the selected UN SDGs, relevant GRI Topics Standards where applicable, and our FY 2022 performance against targets.

TABLE 4 – CONTRIBUTIONS TO SELECTED UN SDGs AND FY 2022 PERFORMANCE AGAINST TARGETS










Material ESG Topics	UN SDGs	GRI Topic Standards	FY 2022 Performance	Commitments and Targets
Climate Change • Energy and Emissions • Water Management • Waste Management	  	<ul style="list-style-type: none"> • GRI 302: Energy • GRI 303: Water and Effluents • GRI 305: Emissions • GRI 306: Waste 	<ul style="list-style-type: none"> • Energy consumption - 5,850 MWh (2021: 5,751 MWh) • Energy use intensity - 36 kWh/m² (2021: 54 kWh/m²) • GHG Emissions - 3,549 tCO₂e (2021: 3,502 tCO₂e) • Water consumption - 219,717 m³ (2021: 192,341 m³) • Water use intensity - 1.35 m³/m² (2021: 1.79 m³/m²) • Plastic waste recycled - 116 tonnes (2021: 112 tonnes) 	<ul style="list-style-type: none"> • Reduce water and energy use intensity by 10% by 2025 using 2020 as a baseline
Animal Welfare	–	<ul style="list-style-type: none"> • GRI 13.11: Animal Health and Welfare 	<ul style="list-style-type: none"> • Average monthly in-house fish loss rate at 7% 	<ul style="list-style-type: none"> • Maintain in-house fish loss rate of not more than 5%
Biodiversity	–	<ul style="list-style-type: none"> • GRI 304: Biodiversity 	<ul style="list-style-type: none"> • In FY 2022, to the best of our knowledge, there were no reported incidents of significant impacts on biodiversity in the areas where we operate 	<ul style="list-style-type: none"> • Operate in accordance with all laws and regulations, and strive to minimise any impacts on biodiversity in the areas where we operate
Training and Development		<ul style="list-style-type: none"> • GRI 401: Employment • GRI 404: Training and Education 	<ul style="list-style-type: none"> • Average of 10.4 training hours per employee in FY 2022 (2021: 16) 	<ul style="list-style-type: none"> • Average of 16 training hours per employee per year
Health and Safety	 	<ul style="list-style-type: none"> • GRI 403: Occupational Health and Safety • GRI 416: Customer Health and Safety • GRI 417: Marketing and Labelling 	<ul style="list-style-type: none"> • Zero fatalities and no reportable workplace accidents • Zero incidents of non-compliance concerning the health and safety impacts of products and services 	<ul style="list-style-type: none"> • Zero fatalities and workplace accidents across operations in all business locations • Assess our accessories products for health and safety impacts through quality checks and supplier labels
Customer Satisfaction	–	<ul style="list-style-type: none"> • GRI 418: Customer Privacy 	<ul style="list-style-type: none"> • Customer satisfaction score of 4.17 out of 5 in FY 2022 (2021: 4.05) • Dead-On-Arrival rate for fish export at 3% 	<ul style="list-style-type: none"> • Continue to enhance customer satisfaction level with improved service and quality products • Uphold highest standards of customer data privacy protection • Maintain the Dead-On-Arrival rate for fish export of not more than 3%

TABLE 4 – CONTRIBUTIONS TO SELECTED UN SDGs AND FY 2022 PERFORMANCE AGAINST TARGETS (continued)

Material ESG Topics	UN SDGs	GRI Topic Standards	FY 2022 Performance	Commitments and Targets
Innovation	–	–	21 new products were launched (2021: 23): <ul style="list-style-type: none"> • Aquarium Accessories: 12 • Aquaculture products: 1 • Pet Accessories: 8 	<ul style="list-style-type: none"> • Develop more than 10 new products per year
Supply Chain Management	–	–	<ul style="list-style-type: none"> • Communicated our “Suppliers Code of Conduct” to suppliers 	<ul style="list-style-type: none"> • Drive responsible business practices across the supply chain
Business Ethics		<ul style="list-style-type: none"> • GRI 205: Anti-corruption 	<ul style="list-style-type: none"> • No known cases of non-compliance with relevant laws and regulations • No incident of whistle blowing • Half-year results (unaudited) released on 19 July 2022 and full-year results (audited) released on 12 January 2023 	<ul style="list-style-type: none"> • Zero-tolerance on corruption and fraud • Whistle blowing procedures • Commitment to release financial results no later than 20 days from the half-year end (unaudited results) and 15 days from the financial year end (audited results) • Continuous strengthening of the enterprise risk management framework
Economic Performance	 	<ul style="list-style-type: none"> • GRI 201: Economic Performance 	<ul style="list-style-type: none"> • Group Revenue - \$75.3 million (2021: \$80.0 million) • EBITDA – \$5.4 million (2021: \$6.1 million) • Profit attributable to the owners of the Company – \$1.4 million (2021: \$1.7 million) • Earnings per share – 1.23 cents (2021: 1.51 cents) • Net assets per share – 43.39 cents (2021: 42.56 cents) • Final dividend of 0.3 cents per share – totaling approximately \$341K (2021: 0.3 cents) (See pages 32 to 42 of this Annual Report for further details)	<ul style="list-style-type: none"> • Revenue and profit growth • New business initiatives • Sustainable dividend payout • Prudent capital management

For more details on our FY 2022 performance and targets on the respective material ESG topics, please refer to Sections 3, 4, 5 and 6 of this Report.



Sustainability Report (Cont'd)

3.0 ENVIRONMENTAL

The effects of climate change have profound implications for businesses and society. For Qian Hu, reducing the impact of climate change on our operations and remaining climate-resilient is a business imperative. We achieve our goal by following our Group environmental policy, being mindful use of resources, having a long-term plan to decarbonise, and managing key climate risks and opportunities.

An environmental policy is required for all business entities. We proactively implement and review our processes and systems to promote the sustainable use and management of resources such as energy, water, and waste. Our Singapore farm is ISO 14001 certified. We also comply with all prevailing laws and regulations in the countries where we operate. In FY 2022, there were no cases of non-compliance with relevant environmental laws and regulations.

Qian Hu's efforts to decarbonise and reduce our GHG emissions are part of our long-term plan to support the transition to a lower-carbon economy. In FY 2022, we are pleased to develop and report our Scope 1 and Scope 2 GHG emissions to measure our baseline emissions. Notwithstanding, we recognise the need to address upstream and downstream emissions in our value chain (Scope 3). In the coming years, we intend to develop our Scope 3 inventory and set GHG reduction targets to decarbonise our operations.

Climate change presents a financial risk to businesses. Consequently, there is a need to understand and manage key climate risks and opportunities. As such, we have begun adopting TCFD recommendations to enhance our disclosures in FY 2022 and beyond. Our first-year disclosure focuses on key climate-related risks (physical and transition) and opportunities that we have identified to be relevant to our three business segments: fish, accessories and plastics as shown in Table 5.

TABLE 5 – IDENTIFIED CLIMATE-RELATED RISKS AND OPPORTUNITIES

Risk Type ¹	Description of Potential Impacts	Impacts	Our Response and Opportunities
Physical (Chronic)	Higher temperatures	Increase in temperature could lead to temperature changes in both water and air. Prolonged high temperatures may decrease the availability of oxygen in the water impacting fish health and ultimately the quality of our products.	<p>Research and Development We are engaged in ongoing research and development on fish breeding techniques and methods to explore the possibility of moving several of our operation facilities indoors for better control over environmental conditions and mitigate the impacts of physical risk.</p> <p>Infrastructure Resilience To complement our ongoing research and development efforts, we have also embarked on strategic reviews on key areas where we operate in that are more exposed and vulnerable to physical climate risk. Subsequently, we will establish an action plan to support climate mitigation efforts.</p>
	Rising sea levels	Rising sea levels could lead to storm surge and other potential impacts on our infrastructure near to coastal areas which are at greater risk. This could result in damage to our infrastructure and livestock and pose disruptions to our business activities and supply chains. In severe cases, it may lead to asset impairment.	
Physical (Acute)	Increase in extreme weather events	Increase frequency and intensity of extreme weather events, such as typhoons, could cause disruption to our infrastructure and impact the livestock held indirectly. This could result in higher capital investments for repair works and/or the need to equip with more climate-resilient infrastructure. Furthermore, it could lead to supply chain disruptions (e.g., transportation delays) which will impact our import and export business.	

TABLE 5 – IDENTIFIED CLIMATE-RELATED RISKS AND OPPORTUNITIES (continued)

Risk Type ¹	Description of Potential Impacts	Impacts	Our Response and Opportunities
Transition	Regulation and litigation	Regulators at different jurisdictions where we operate in could impose additional requirements/obligations associated with utilities (e.g., energy and water), as well as more stringent environmental policies. The monitoring of emissions and the implementation of carbon pricing policies would lead to an increase in operating expenses. Any failure to comply with the above could result in litigation risks.	<p>Resource Efficiency Continuous improvisation and innovation in fish farming methods, handling and storage facilities to promote resource efficiency to attain lower carbon footprint and to reduce operating expenses in the long term.</p> <p>We have in place the Multi-Tier Automated Recirculation Holding Tank System which allows water to be recycled during the fish quarantine phase, contributes to significant water and energy savings. The multi-step filtration system which essentially breaks down and rapidly removes bio-load, followed by an ultraviolet steriliser to further remove waterborne pathogens eliminates the need for daily water change.</p>
	Market	Shifting customer preferences for more sustainable products (e.g., more eco-friendly plastics) may present a challenge if we are unable to meet their requirements.	<p>Smart Aquaculture Practices Investments in smart aquaculture practices to mitigate biosecurity, disruptions and physical risks brought about by climate change and to promote aquaculture productivity.</p> <p>We have engaged in the research and development on fish breeding techniques to explore the possibility of moving several of our operation facilities indoors for better control over environmental conditions.</p>
	Technology	In the transition to a lower-carbon economy, new technologies may need to be adopted to enhance resource efficiency throughout our operations. These include, but are not limited to, new skills and methods of fish or shrimp farming (e.g., real time digital monitoring) and the manufacturing of plastic products and aquarium tanks. The inability to keep up with new technology could lead to inadequacy and/or a loss of competitive advantage. In addition, we may need to gradually phase out older existing equipment in order to stay relevant.	<p>Qian Hu has also embarked on a strategic collaboration with AquaEasy Pte Ltd which deploy artificial intelligence (AI) and Internet of Things (IoT)-based solutions into fish/shrimp farming. The cloud-based solution is able to monitor several aspects of our ponds, including dissolved oxygen levels, water pH, and animal behaviour patterns which enable us to increase our productivity and predictivity while minimising our cost and exposure to climate-related risks.</p> <p>Green Financing Explore green financing opportunities to finance and drive sustainability-related initiatives and while potentially reducing cost of borrowing.</p>

¹ Physical risks refer to acute or chronic risks related to the physical impacts of climate change and transition risks refer to risks related to the transition to a lower-carbon economy

Sustainability Report (Cont'd)

3.1 CLIMATE CHANGE

3.1.1 Energy and Emissions

Reducing GHG emissions is necessary for us to transit to a lower-carbon economy and Qian Hu has much to contribute to this global agenda. To track our emissions and measure our baseline emissions, we started reporting our Scope 1 and Scope 2 GHG emissions in FY 2022. This allows us to develop appropriate strategies going forward to reduce our operational carbon footprint. In the coming years, we plan to develop our Scope 3 emission inventory to address our upstream and downstream emissions.

The below highlights our group-wide energy consumption and intensity; and GHG emissions figures. For FY 2022, our energy consumption stood at 5,850 MWh and our combined Scope 1 and Scope 2 GHG emissions stood at 3,549 tonnes of CO₂e. Compared to FY 2021, we saw an increase of 1.7% in our energy consumption due to an increase in our business activities, while the Scope 1 and Scope 2 GHG emissions represented an increase of 1.4%. We will continue our efforts to improve energy use and efficiency across all our business segments to reduce our energy consumption effectively.

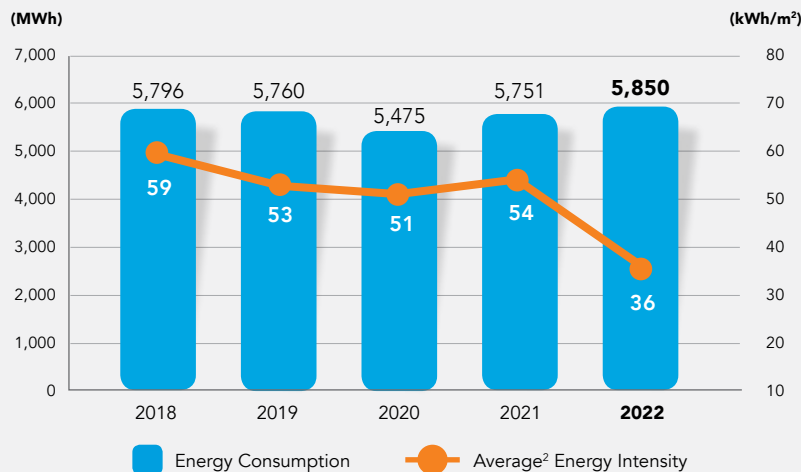
Scope 2 emissions from purchased electricity are the most significant contributor to Qian Hu's carbon footprint (Scope 1 and Scope 2) in our business operations in FY 2022. In response, we are taking proactive steps to reduce our carbon footprint, including implementing measures to reduce our energy usage and considering deploying renewable energy where operationally feasible.

CASE STUDY:

To supply energy for the tropical fish room operations during the winter months and reduce the use of electricity, one of our subsidiaries in China installed solar panels made up of 1,200 pieces of solar tubes. We have managed to reduce the energy intensity of this China subsidiary over the past few years.



ENERGY CONSUMPTION AND INTENSITY



Total Energy Consumption

5,850 (MWh)
5,751 (MWh) in 2021

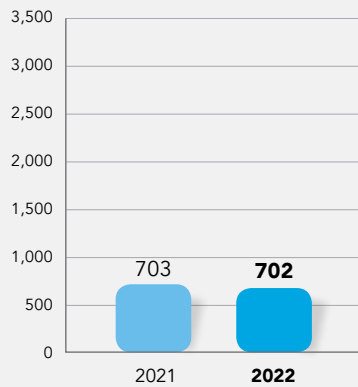
Average Energy Intensity

36 (kWh/m²)
54 (kWh/m²) in 2021

² The average energy intensity (kWh/m²) is calculated using Total Energy Consumption/Total Gross Floor Area

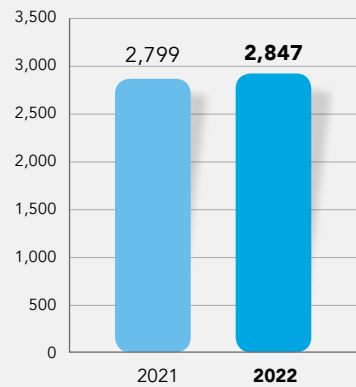
GHG EMISSIONS (SCOPE 1)

(tonnes of CO₂e)



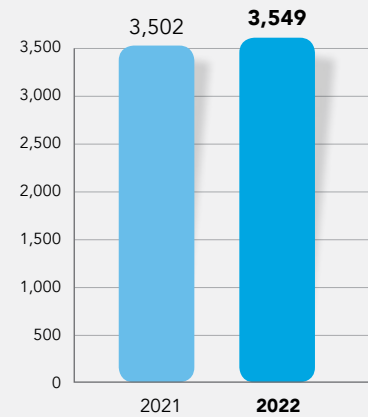
GHG EMISSIONS (SCOPE 2)

(tonnes of CO₂e)



GHG EMISSIONS (SCOPE 1 & SCOPE 2)

(tonnes of CO₂e)



Methodology for Scope 1 and Scope 2 GHG Emissions

Qian Hu has started developing and reporting its Scope 1 and Scope 2 GHG emissions data in FY 2022 to measure our baseline emissions. Hence, data up to FY 2021 was collected for estimating our baseline emissions for future target setting purposes. FY 2020 is deemed to be unsuitable as they may be non-standard numbers due to the pandemic.

Qian Hu's Scope 1 and Scope 2 GHG emissions was prepared based on the Greenhouse Gas Protocol which is an internationally recognised GHG accounting standard.

- Scope 1 consists of emissions from fuel combustion (stationary and mobile) including Qian Hu's vehicle fleet, fuel for generators and cooking gas. The emission factors used were taken from the UK Department for Environment, Food and Rural Affairs (DEFRA) environmental reporting guidelines.
- Scope 2 (location-based) consists of emissions from purchased electricity as a result of Qian Hu's operations. For entities in Singapore, the emission factor for electricity generation was obtained from the Energy Market Authority (EMA) for 2021. For entities in Malaysia, China, Thailand and Indonesia, the emission factors were obtained from the International Energy Agency (IEA)'s database of Emission Factors 2022.



Sustainability Report (Cont'd)

3.1.2 Water Management

Qian Hu recognises that water is a limited natural resource and needs to be consumed responsibly. As part of our successful water management strategy, we have been innovating and finding ways to conserve and recycle water. A robust water management programme is central to Qian Hu's fish business segment. Poor management of water can affect the health and growth of the fish. Furthermore, implications from climate change, including periods of drought or low precipitation, can exacerbate the situation and pose risks to our business operations.

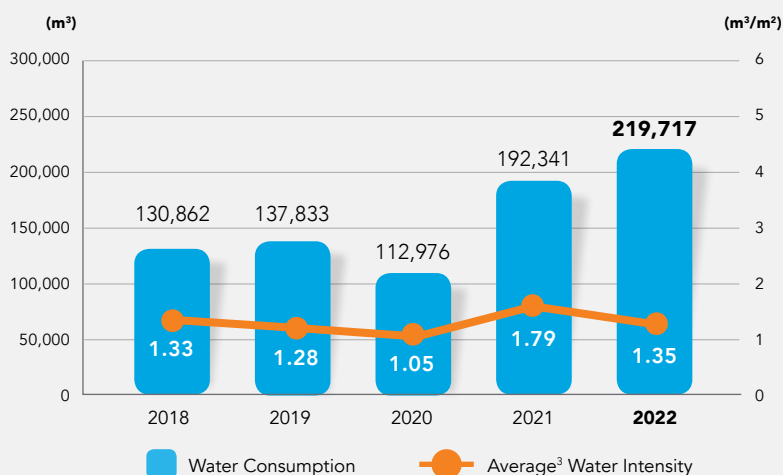
One of our long-term objectives is to run a closed-loop integrated water recycling system to recycle all the water utilised in our operations. To achieve this, we have in place a Multi-Tier Automated Recirculation Holding Tank System, which enables water used in our operations to be recycled, so as to reduce the amount of freshwater consumed.

As part of our water management strategy, we constantly examine ways to retain water secure from natural sources (e.g., rainwater) to reduce the need for further water extraction. For example, we have a water storage facility at our aquaculture farm located in a typhoon-prone area in Hainan, China. In the event of the disruption of water supply from the sea, due to pipe ruptures caused by a typhoon, the water storage facility could act as a backup source, effectively enabling us to mitigate water shortages so as to ensure business continuity.

We also monitor the water quality and manage effluents from our fish and aquaculture operations as failure to do so could result in environmental degradation, poor animal health and ultimately, financial impacts and reputational damage for Qian Hu. Such monitoring process is integral and fundamental to our water management strategy, and that we have a robust water quality testing regime in place, including the engaging of a third-party organisation to conduct annual testing of water samples in our Singapore farm. Water quality is tested for parameters such as biochemical oxygen demand, chemical oxygen demand, total suspended solids to ensure that they are within acceptable limits.

The below highlights our group-wide water consumption and intensity. In FY 2022, our total water consumption was 219,717 m³ and the water use intensity was 1.35 m³/m². Our water usage has increased in tandem with the increase in commercial operations. We will continue to focus on improving our water management process. Currently, our water consumption data presented only consists of utility and well water. However, we are in the process of better understanding methods to accurately measure our water extraction amount from other natural resources. We, nevertheless, abide by all prevailing laws and regulations before extracting water from natural sources.

WATER CONSUMPTION AND INTENSITY



Total Water Consumption

219,717 (m³)

192,341 (m³) in 2021

Average Water Intensity

1.35 (m³/m²)

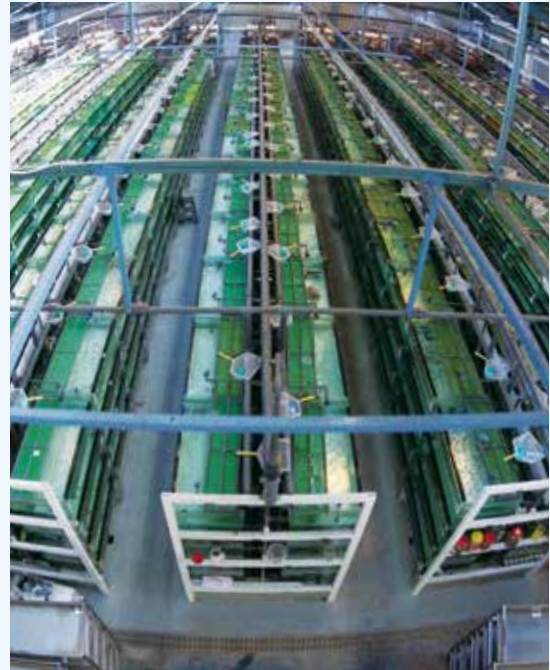
1.79 (m³/m²) in 2021

³ The average water intensity (m³/m²) is calculated using Total Water Consumption divided by Total Gross Floor Area

CASE STUDY:

We have since put in place the Multi-Tier Automated Recirculation Holding Tank System to reduce water consumption in Singapore, China, Indonesia and Thailand through the recycling of water during the fish quarantine process. This multi-step filtration device essentially breaks down and rapidly removes bio-load, followed by an ultraviolet steriliser to further remove waterborne pathogens which eliminates the need to change water daily to reduce ammonia build-up in the tanks, and recycles water whilst maintaining the health of our fish – hence, balancing our environmentally sustainable practices with our business objectives of supplying good-quality fish for sale and distribution.

In addition, we have installed a water storage treatment system for the water storage tanks in Singapore which uses a bacterial nitrification process to reduce the water ammonia and nitrate levels, while increasing dissolved oxygen to improve water quality. With this, we can enjoy more efficient use of stored water at our local facility and are able to reuse water after it has been treated, so as to reduce our water usage.



3.1.3 Waste Management

The extensive use of packing items to import and export our products and services results in unavoidable generation of general and packaging waste (e.g., carton, plastic bags and/or styrofoam boxes). At Qian Hu, we practice the responsible use of materials and strive to reduce waste through material recycling and reuse as much as possible to address waste management and ensure environmental preservation and, ultimately, lower packaging costs.

We have a waste management programme to drive recycling and reuse initiatives whereby we reuse and recycle cartons, plastic bags and styrofoam boxes from our suppliers. As we generate mostly packaging waste such as cartons, plastic bags and styrofoam boxes which will be reused and recycled in most cases, we have assessed general waste to be immaterial to our business operations. Therefore, we have not disclosed these amounts in this report.

For Qian Hu Tat Leng Plastic Pte Ltd, our subsidiary dealing in the production of high-density and low-density polyethylene bags for commercial and industrial use, we gather cut-out plastic waste and send to a third party for recycling. The recovered plastic resins are then added back to the manufacturing mix. Consequently, we are able to reduce the amount of plastic waste generated. In FY 2022, 116 tonnes of plastic waste⁴ were recycled by this subsidiary, as compared to 112 tonnes in FY 2021. For the other entities, 35 tonnes of aluminium, carton, plastic, styrofoam and glass waste⁵ were also recycled in FY 2022 as compared to 54 tonnes in FY 2021.

⁴ Plastic waste refers to those generated and recycled by Qian Hu Tat Leng Plastic Pte. Ltd.. Past five years data are as follows: FY 2021: 112 tonnes, FY 2020: 140 tonnes, FY 2019: 138 tonnes, FY 2018: 145 tonnes

⁵ This excludes plastic waste from Qian Hu Tat Leng Plastic Pte. Ltd. and data from Indonesia and Thailand operations

Sustainability Report (Cont'd)

3.2 ANIMAL WELFARE

Qian Hu deals with livestock and we have a responsibility to consider animal welfare, including the treatment that an animal receives, which is enclosed in terms such as animal care, animal husbandry and humane treatment. The irresponsible treatment and handling of fish could lead to poor health, an outbreak of diseases and high mortality rates. As a leading integrated fish provider, we consider animal welfare a key component of providing high-quality fish to satisfy our customers' needs.

We have put in place established fish quarantine procedures to minimise the spread of diseases to ensure good animal welfare. Our Multi-Tier Automated Recirculation Holding Tank System is able to break down and remove bio-load rapidly and uses an ultraviolet steriliser to further remove waterborne pathogens which helps to maintain the health of our fish. In addition, we conduct daily water testing with reference to parameters (such as pH levels, temperature, ammonia, nitrates, and alkalinity) and practice the responsible use of approved antibiotics on ornamental fish. Our research and development team identifies fish infected by parasites and introduces appropriate treatment methods.

The success of the above is only possible with employees receiving the appropriate training in fish-handling. Employees who need to handle livestock are required to attend the relevant training to understand and be familiarised with the procedures used in the handling of the different fish species.

In FY 2022, our average monthly in-house fish loss rate was 7%.

CASE STUDY:

To monitor the health conditions of the shrimp inside the ponds, traditional shrimp farming mainly relies on the farmers and technicians' intuition and expertise. Since the water quality is crucial to shrimp farming, the traditional approach frequently increases the chance of the spread of diseases when bacteria in the water were undetected.

To address this, Qian Hu has partnered with AquaEasy Pte Ltd, an aquaculture solutions provider, to deploy artificial intelligence (AI) and Internet of Things (IoT)-based solutions into shrimp farming by using a smart sensor to keep track of several aspects of our pond conditions, including dissolved oxygen levels, water pH, and animal behaviour patterns. The real-time information obtain from the sensor reading has allowed us to always maintain the best possible pond conditions for the shrimp, hence, helps in enhancing productivity, predictivity and the implementation of sustainable aquaculture practices while reducing risks and costs.

In addition, the solution is also specifically made to "listen" to the shrimp's behaviour, monitor their degree of hunger, set the appropriate feeding times, and administer an optimal amount of feed.



3.3 BIODIVERSITY

As a leading integrated fish provider that exports and sells in more than 80 countries worldwide, we are conscious of the impact our business activities may have on the surrounding ecosystems and habitats. We, therefore, strive to minimise any significant impacts on biodiversity in our operations.

A major concern in this regard is the accidental release of non-native species of animals into the local ecosystems and habitats. As introducing invasive fish species can negatively impact local ecosystems and habitats, we have strict protocols in place to minimise any accidental release of fish and other aquatic animals from our farms. For example, in the event of storms and floods, the design of our fish farm and breeding ponds in Singapore ensure that any accidental escape of fish species is caught in our sedimentation ponds, which act as a barrier and prevent the non-native species from escaping directly into local habitats.

We also adhere to CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) which regulates the international trade of wild animals and plants and ensures that our business does not threaten the species' survival.

In FY 2022, to the best of our knowledge, there were no reported incidents of significant impacts on biodiversity in the areas where we operate.



Sustainability Report (Cont'd)

4.0 SOCIAL

4.1 DIVERSITY AND EQUALITY

At Qian Hu, our employees and people are the key to our success, and we hold the “People First” principle in the highest regard. We define diversity and equality as having equal access to development opportunities and employment benefits, regardless of age, gender, ethnicity, religion, sexual orientation, disability, political affiliation and any other non-work-related personal attributes. As a testament to this, two out of five (40%) of the Board members are females and three out of five (60%) of the Board members are independent Board directors. Across the Group, we have 36% and 64% of female and male employees, respectively, and over 18% of our employees are above 50. We recognise the experience and talents that older workers bring, and we encourage employees to work beyond the retirement age of 63, should health and job requirements permit.

We want our employees to thrive at Qian Hu and strive to promote an inclusive workplace for all based on merit and ability. To promote employee well-being, we provide attractive employee benefits to all our employees (full-time and part-time). We practice fair and inclusive hiring processes and are guided by the Tripartite Guidelines on Fair Employment Practices (TGFE) provided by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), established by the Ministry of Manpower, the Singapore National Employers Federation and the National Trades Union Congress. We are pleased to share that our Employee Satisfaction Index score stood at 4.6 (out of 6) for FY 2022. Recognising that there is a slight decline compared to 4.71 in FY 2021, we will continue exploring different avenues to enhance workplace practices for all.

In addition, Qian Hu is committed to protecting the principles of human rights, including those pertaining to child labour, forced labour and human trafficking on an international level. We abide by the Singapore Prevention of Human Trafficking Act 2014 (Chapter 45) and other relevant laws and regulations in countries where we conduct business. As we are a small-medium enterprise, our business does not involve trade unions and as such, there are no employees covered under collective bargaining agreements.

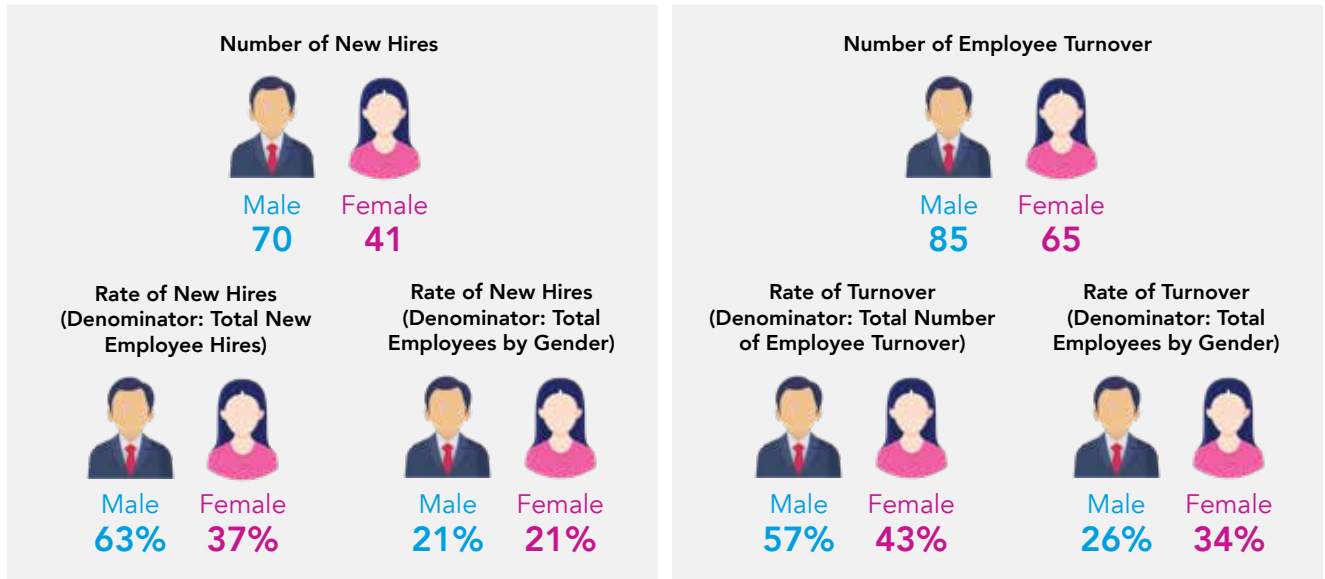
In FY 2022, there were no reported cases of discrimination or violations of human rights.

More details on the Board Diversity Policy are set out on page 85 of this Annual Report.



Our employee diversity profile across gender, age, job categories, new hires and turnover rates are highlighted below:

GENDER DIVERSITY (NEW EMPLOYEE HIRES AND TURNOVER)



AGE DIVERSITY (JOB CATEGORY)

	Under 30 years old	30 to 50 years old	Above 50 years old
Key Management	0	11	16
Middle Management & Executives	14	115	21
Administrative & Operational Staff	81	207	59

AGE DIVERSITY (NEW EMPLOYEE HIRES AND TURNOVER)

	Under 30 years old	30 to 50 years old	Above 50 years old
Number of New Hires	50	55	6
Rate of New Hires (Denominator: Total New Employee Hires)	45%	50%	5%
Rate of New Hires (Denominator: Total Employees by Age Group)	53%	17%	6%
Number of Employee Turnover	69	73	8
Rate of Turnover (Denominator: Total Number of Employee Turnover)	46%	49%	5%
Rate of Turnover (Denominator: Total Employees by Age Group)	73%	22%	8%

Sustainability Report (Cont'd)

EMPLOYEE PROFILES

EMPLOYEE PROFILE	SINGAPORE			MALAYSIA			THAILAND			INDONESIA			CHINA			TOTAL		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Total Employees (Number)	188	190	183	74	86	99	94	92	88	31	32	29	137	163	148	524	563	547
Employees by Gender (Number)																		
Male	129	129	121	47	54	66	68	66	59	24	25	24	65	73	63	333	347	333
Female	59	61	62	27	32	33	26	26	29	7	7	5	72	90	85	191	216	214
Employees by Age Group (Number)																		
Under 30 years old	19	22	26	17	27	33	28	25	27	12	12	12	19	38	28	95	124	126
30 to 50 years old	98	105	105	43	38	55	64	45	59	17	18	15	111	118	115	333	324	349
Over 50 years old	71	63	52	14	21	11	2	22	2	2	2	2	7	7	5	96	115	72
Employees by Employee Category (Number)																		
Key management	19	19	18	2	2	2	3	3	3	2	2	2	1	1	1	27	27	26
Middle management and Executives	47	47	45	33	22	26	42	26	23	1	5	5	27	25	23	150	125	122
Admin & Operational staff	122	124	120	39	62	71	49	63	62	28	25	22	109	137	124	347	411	399
Employees by Employment Contract (Number)																		
Permanent	188	190	183	74	86	99	94	92	88	31	32	29	137	163	146	524	563	545
- Full time	185	187	181	74	82	94	94	92	88	30	31	27	137	163	146	520	555	536
- Part time	3	3	2	0	4	5	0	0	0	1	1	2	0	0	0	4	8	9
Temporary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2
Employees by Length of Service (Number)																		
Less than 5 years	68	64	52	39	46	57	24	25	18	14	16	14	66	106	96	211	257	237
5 to 10 years	34	44	48	15	21	27	36	34	36	9	8	15	27	23	20	121	130	146
Over 10 years	86	82	83	20	19	15	34	33	34	8	8	0	44	34	32	192	176	164
New Hires																		
Total new hires (number)	44	50	26	16	20	29	6	18	4	1	5	2	44	101	34	111	194	95
New Hires by Gender (Number)																		
Male	22	38	14	12	14	23	6	16	3	1	2	2	29	77	19	70	147	61
Female	22	12	12	4	6	6	0	2	1	0	3	0	15	24	15	41	47	34
New Hires by Age Group (Number)																		
Under 30 years old	15	11	14	8	10	11	6	16	1	1	4	2	20	50	16	50	91	44
30 to 50 years old	24	25	11	7	9	16	0	2	3	0	1	0	24	51	18	55	88	48
Over 50 years old	5	14	1	1	1	2	0	0	0	0	0	0	0	0	0	6	15	3
Turnover																		
Total turnover (number)	46	43	33	28	33	37	4	14	24	2	2	3	70	86	46	150	178	143
Average monthly turnover rate (%)	2.0	1.9	1.5	3.2	3.2	3.1	0.4	1.3	2.3	0.5	0.5	0.9	4.3	4.4	2.6	2.4	2.6	2.2
Turnover by Gender (Number)																		
Male	23	31	23	19	26	30	4	9	22	2	1	3	37	67	26	85	134	104
Female	23	12	10	9	7	7	0	5	2	0	1	0	33	19	20	65	44	39
Turnover by Age Group (Number)																		
Under 30 years old	15	12	9	10	22	13	3	9	14	0	2	0	41	46	19	69	91	55
30 to 50 years old	25	24	21	17	9	22	1	5	10	2	0	3	28	40	25	73	78	81
Over 50 years old	6	7	3	1	2	2	0	0	0	0	0	0	1	0	2	8	9	7

4.2 TRAINING AND DEVELOPMENT

The Group aims to be well-positioned to fulfil its business objectives and move towards long-term sustainable growth. To accomplish this, we continuously identify and groom talent in our niche sector by training and broadening the skillsets of our employees through our learning and development programmes and offering management trainee programmes.

4.2.1 Upskilling

The Covid-19 pandemic has taught us to prepare our employees to take on roles that may be outside of their primary job duties or require the use of new technology as a result of digitalisation. At Qian Hu, we support and provide opportunities for our employees to gain knowledge and skills through external courses. This is in addition to on-the-job training and upgrading of pertinent skills. All training processes are closely monitored and tracked by line managers and the human resource department to ensure that our employees' learning and development needs are adequately met.

In FY 2022, Qian Hu recorded an average of 10.4 training⁶ hours per employee, below our target for an average of 16 training hours per employee per year. The average training hours per employee in FY 2021 was higher compared to FY 2022 as we stepped up training programmes to reskill and upskill employees to cope with the impacts of COVID-19. We have also recorded 14.2 and 8.2 average training hours for female and male employees, respectively.

4.2.2 Succession Planning

Succession planning is critical to the success of our business, considering the limited talent pool in this niche sector. Successfully, we implemented a structured succession programme over the last 16 years to prepare a team of executives to lead the Group into the future. The programme includes a rigorous leadership grooming process that involved job portfolio rotation and performance review in demanding business situations.



⁶ The training figures in this section includes on-the-job training

Sustainability Report (Cont'd)

4.3 HEALTH AND SAFETY

As Qian Hu exports and sells more than 3,000 types of fish, aquariums, pet accessories and products, any disregard for health and safety aspects can have detrimental effects on the company's reputation and the well-being of our employees, customers and animals under our care. We adhere to all relevant laws and regulations and ensure that our products are compliant and safe for use. The nature of our operating environment also requires us to pay utmost attention to the health and safety of our employees, both mental and physical.

4.3.1 Employee Health and Safety

One of Qian Hu's key priorities is centred on the health and safety of our employees. Minimising the incidence of work-related injury and illness and promoting a safe and healthy work environment leads to positive workplace morale, overall well-being of our employees and ultimately to higher quality products and services. We have set up a Health and Safety Committee with joint management-worker representation which ensures a collaborative approach in identifying, monitoring, and reviewing health and safety practices and procedures. The committee identifies and ranks safety hazards and addresses them according to their order of importance. An annual review meeting is held to ensure that all issues are rectified and that the Group remains in compliance with all prevailing standards, laws and regulations, including the adherence to reporting protocols for all work-related injuries.

In addition, all our employees undergo workplace health and safety training such as fire safety hazard processes and basic first aid safety. External consultants are invited to conduct training in introductory first aid and in the use of the automated external defibrillator ("AED") machine at our Singapore farm. This enables our employees to be operationally prepared to provide medical aid in the event of medical emergencies. We also conduct regular fire drills and evacuation exercises in accordance with ISO 14001:2015 standards.

In FY 2022, there were no fatalities and reportable workplace accidents.

Employees' well-being is also a key component of our management ethos. We organised complimentary health screening programme and wellness talks for our employees during the year. Recreational activities, such as monthly employee birthday celebrations, were organised to foster interaction and bonding outside of work.



4.3.2 Customer Health and Safety

Qian Hu advocates the highest levels of customer health and safety as disregard for health and safety regulations will have far-reaching consequence, not only to the well-being of our customers and the community at large, but also to our brand equity. This in turn will have a bearing on our financial performance and may have legal and other consequences.

Qian Hu adheres to all relevant laws and regulations in the countries where the various products are sold. We do not sell, use, provide, or interact in any way with banned or disputed products. Our products, such as aquarium and pet accessories, are manufactured in accordance with HACCP (Hazard Analysis Critical Control Point) and GMP (Good Manufacturing Practice) standards and they are compliant to best practices such as MSDS (Material Safety Data Sheets). Our pet food, fish medication and fish feeds come with confirmed ingredient analyses that consider both nutritional content and composition.

In addition, Qian Hu endeavours to provide accurate, adequate and transparent information about our products through responsible labelling and packing information which helps consumers to make more informed choices. We are constantly looking for ways to further improve the information on our labelling so as to enable our customers to make the best choices for their pets and for the environment.

We also adhere to the principles of responsible marketing and communications which effectively and accurately represent our brands. In Singapore, our marketing collaterals are in compliance with the Singapore Code of Advertising Practice (SCAP), governed by the Advertising Standards Authority of Singapore, which is an advisory council to the Consumers Association of Singapore. Additionally, we assess our products for health and safety impacts through quality checks and supplier labels.

In FY 2022, to the best of our knowledge, there were no incidents of non-compliance with regulations and voluntary codes concerning products and service information and labelling by type of outcomes. There were also no breaches of guidelines or regulations in relation to advertising or marketing, nor any incidence of false advertising or inaccurate or misleading representations of our Group, its products and services.

4.4 CUSTOMER SATISFACTION

4.4.1 Customer Service

We provide our customers with high-quality goods, dependable service and attentive after-sales support. With a customer base spanning more than 80 different countries, logistical concerns such as airplane accessibility and connectivity are crucial to timely delivery and low Dead-on-Arrival (DOA) rates for fish export.

Qian Hu works hard to maintain a high degree of efficiency in the delivery of our products in the event of disruptions since we have a sizable distribution network. In addition, we continue to strengthen domestic networks inside each of our export hubs.

Using a variety of channels, including trade events, exhibitions, social media platforms, feedback channels and direct inquiry platforms, we interact with our consumers and gather feedback from them to improve our products and services. We also carry out routine customer visits and keep lines of contact open via virtual or in-person meetings, phone conversations and emails.

We based on an annual Customer Satisfaction Survey Questionnaire completed annually by key customers from our Singapore operations to track and measure our customers' level of engagement with us. We are pleased to share that our Customer Satisfaction Index score stood at 4.17 (out of 5) in FY 2022, an improvement from 4.05 registered in FY 2021.

Additionally, the DOA rate for fish export recorded was approximately 3% for FY 2022, which is within our commitment of not more than 3%.

4.4.2 Data Protection

We take the security of our customers' data and privacy seriously and conduct our business in strict compliance with the Personal Data Protection Act 2012. Our Personal Data Protection Policy, applicable to the Group, sets out our approach to managing and safeguarding personal data and is publicly accessible on our corporate website. In addition, employees are bounded by Qian Hu's Code of Conduct and Business Ethics, which holds a strict view of any breach of customer confidentiality.

While it is inevitable that we require the collection of personal information while offering our products and services and after-sales support, we do not, without the customers' approval, sell, rent, give away, swap, or otherwise make this information available to other parties for commercial or other purposes.

In FY 2022, there were no violations of the Personal Data Protection Act 2012 or any non-compliance with our Personal Data Protection Policy.

Sustainability Report (Cont'd)

4.5 INNOVATION

Innovation continues to be at the heart of what we do at Qian Hu. We constantly consider our customers' changing needs and are driven by our ingenuity to maintain our leadership in our industry. We do so by innovating in our product segments. We also welcome new ideas, feedback and comments to ensure that our products and services are aligned with the current and future needs of our customers.

We are pleased to report the following new product launched in FY 2022:

Aquarium Accessories

- OF Advance Vitamin Complex
- OF Joyful Stylish home fish tank Series
- OF Special Arowana PLUS Water Conditioner
- OF Kirameki Competition Grade Series
- OF Kirameki Super Premium Series
- OF Qian Hu Probiotic 1/2/3
- OF Qian Hu Probiotic Tropical Fish 1/2
- OF 3DM PH+ Beads
- Aquazonic Evo Slim Miracle LED
- Aquazonic Little Giant Amphibious Water Pump
- Aquazonic EVO Slim Miracle LED
- Ocean Free Tropical Fish Feed (Channa Snakehead Growth and Enhancement)

Aquaculture Products

- Aqua Salt 25kg

Pet Accessories

- Aristocats Ocean Fish Cat Kibbles (10kg and 2kg New Packaging)
- Aristocats Chicken Cat Kibbles (10kg and 2kg New Packaging)
- Aristocats Tuna & Chicken Cat Kibbles (10kg and 2kg New Packaging)
- Bark Lamb & Rice Dog Kibbles (15kg and 2kg New Packaging)
- Bark Fish & Rice Dog Kibbles (15kg and 2kg New Packaging)
- Bark Hi-Protein Dog Kibbles (15kg New Packaging)
- Platinum Choice 7L Tofu Cat Litter
- Platinum Choice Dog Food, 5 flavours, 125g per can

We have collaborated with the National University of Singapore (NUS) on gene-editing and explored the feasibility of identifying and isolating the gene responsible for bioluminescence in ornamental fish. The research will have positive benefits on our ornamental fish business segment as we will be able to produce more fluorescent fish to satisfy our customer's demand in the future.



Past Success

We have been innovating products for a considerable number of years. Some of our notable past successes include:

- Patented Hydro-Pure Technology
- Large-scale arowana tank system
- Multi-tier Automated Recirculation Holding Tank System
- Early innovation in arowana pellet food
- Biological and mechanical filtration, as well as high flow rate water purification units for big pond applications



4.6 SUPPLY CHAIN MANAGEMENT

Our suppliers are key to our long-term growth and sustainability. In the current political and economic climate, we need to maintain a reliable and sustainable supply chain. This ensures that we minimise any potential disruptions to our business operations and continue to provide our customers with high quality products and reliable service levels.

As part of our supplier partnership programmes, we regularly engage our suppliers using a hybrid approach through a variety of channels. These engagement sessions with our suppliers are an essential way for us to gather feedback from them, exchange ideas and formulate concrete action plans to meet our shared objectives. To strengthen our working relationships, we visit certain of our major suppliers annually. The visits focus on verifying the sources for ornamental fish and accessories products, gathering feedback on quality challenges and discussing any other issues that our suppliers may face. We also meet our suppliers through trade events, such as the AQUARAMA International Ornamental Fish and Accessories Exhibition in Singapore and/or large overseas trade shows. Having strong working relationships with our suppliers can deliver cost savings and minimise any quality issues and thus, providing better service for our customers.

Our suppliers are carefully selected based on track record and endorsed by way of our Approved Vendor List. They are chosen for their ability to complement and enhance our commitment towards providing high quality products and excellent service standards that meet the Group's standards. At the start of our partnership, we communicate to them our Suppliers' Code of Conduct, commitments and expectations on environmental standards and fair social practices. They are required to comply with all applicable laws and regulations.

Looking ahead, we work to instil higher standards constantly and incrementally throughout our entire supply chain which will ultimately lead to a higher level of quality and standard of products and services for Qian Hu.

Sustainability Report (Cont'd)

4.7 COMMUNITY ENGAGEMENT

Qian Hu continues to contribute meaningfully to the communities and environment where we operate in. This is a goal centred in our Community Involvement Policy of "Charity, Community and Commitment". It resonates deeply with our belief in giving back to our communities and fortifying the social fabric of our workforce.

4.7.1 Giving Back to the Community

We encourage our employees to actively participate in community activities and donate to selected charities, as keeping our people engaged in the community is a key driver of our employee engagement. We recognise our employees possess the skills, talents and resources for enablement of vulnerable segments in the community. It contributes to character-building and enables them to develop soft skills such as empathy.

Our commitment to business serving society supports positive impact for vulnerable segments of the community and facilitates donations to them. Since FY 2001, Qian Hu has a dollar-for-dollar donation programme – it matches every dollar that employees donate and these are donated to specific charities. In FY 2022, our Singapore-based employees visited MWS Nursing Home in May 2022 and Ren Ci Nursing Home in November 2022 and made monetary donations. Likewise, our Guangzhou employees also visited a nursing home and provided blankets and thermos flask donations. Through these donations, we hope that the seniors will be well-supported and comfortable where they stay.

We were also keenly aware of COVID-19's impacts on communities in China. Understanding the need for collaborative efforts to mitigate the effects of the pandemic, some of our employees in Guangzhou were mobilised to assist in a control centre for COVID-19.

4.7.2 Contributing to the Business Community

As a leader in the ornamental fish distribution business and related industries, we have much to contribute to the broader fish industry ecosystem and professional bodies. Our CEO, Mr Yap Kok Cheng, is a member of the Animal and Veterinary Services' Ornamental Fish Business Cluster and a committee member of the Kranji Countryside Association. Our Finance Director, Ms Lai Chin Yee, is a Board member of the Accounting and Corporate Regulatory Authority (ACRA) and a Council Member of the Institute of Singapore Chartered Accountants (ISCA). Through our experiences and learnings, we can help improve business and operational practices and raise performance standards in our industry.

Our senior management team members are also actively engaged in various committees, and in sharing with others our business excellence journey. They play an active role in connecting with the broader industry ecosystem to share knowledge, network contacts, resources and best practices.



5.0 GOVERNANCE

5.1 BUSINESS ETHICS

We uphold the highest ethical standards and conduct our business in compliance with all applicable laws and regulations. Accordingly, we adopt a zero-tolerance policy towards any form of bribery, corruption, anti-trust behaviour, slavery and violation of human rights. We will not hesitate to take all necessary action against such acts.

Any unethical or unlawful behaviour can have a far-reaching impact on our Group, both in terms of financial and legal consequences and brand reputation. As such, all Qian Hu employees are required to adhere strictly to our Code of Conduct and Business Ethics which outlines our stance. Disciplinary action will be enforced in the event of violations of this code. All employees are taken through the Code of Conduct and Business Ethics during the employment orientation and induction sessions.

We also communicate our anti-corruption policies to all our suppliers, sub-contractors and other business partners at the outset of our working relationship. Furthermore, our Finance Department strictly monitors and prevents irregular forms of payments or receipts by implementing appropriate controls and procedures.

To report suspected fraudulent acts or non-compliance confidentially and without any fear of reprisals, we have established a whistle-blowing mechanism for employees and other stakeholders (suppliers, sub-contractors and other business partners). Such reports will be made directly to the Chairman of the Remuneration Committee. The Audit & Risk Management Committee reviews all whistle blowing complaints at its meetings, ensuring that any investigation and appropriate follow-up actions are taken. In instances of serious offences and criminal activities, the Audit & Risk Management Committee and the Board have access to the appropriate external advisors and where necessary, a formal report with the relevant government or regulatory authority will be filed.

In FY 2022, there were no known corruption incidents and reports of non-compliance with applicable environmental and socioeconomic laws and regulations.

For Qian Hu's corporate governance structures and practices for FY 2022, with reference to the principles and provisions of the revised Code of Corporate Governance and the accompanying Practice Guidance, please refer to pages 78 to 104 of this Annual Report.

6.0 ECONOMIC PERFORMANCE

Qian Hu's daily mindset and actions are centred around economic performance and, therefore, on creating sustainable added value for all stakeholder groups. All our internal and external stakeholders expect Qian Hu to deliver on financial performance, as well as our value-added contribution to the societies and communities we operate in.

The below summarised our contributions to employees, government, providers of capital, profits retained for re-investment and future growth; and non-production costs and income.

SUMMARY OF VALUE-ADDED STATEMENTS

(\$'000)	2022	2021	2020	2019	2018
Gross value-added from operations	17,077	19,019	19,144	16,464	17,810
Total value-added available for distribution	21,176	23,051	19,842	20,056	19,091
Distribution of Group's value-added:					
To employees	15,728	15,469	13,246	14,871	14,974
To government	385	431	309	244	500
To providers of capital	693	479	726	813	740
Retained for re-investment and future growth	4,492	5,370	2,065	3,786	2,508
Non-production costs and income	(122)	1,302	3,496	342	369
Total distribution	21,176	23,051	19,842	20,056	19,091

For more information on our financial performance, please refer to the "Financial Review" on pages 34 to 42 of this Annual Report.

Sustainability Report (Cont'd)

7.0 INVESTOR RELATIONS

We have always been committed to communicating our financial performance, business strategies and other relevant corporate information. We understand the importance of doing so promptly, transparently and accurately to our stakeholders and the wider investment community.

On a compliance level, we adhere strictly to the SGX-ST's Code of Corporate Governance and other prevailing laws and regulations on disclosures. Our compliance culture is founded on principles of integrity, transparency, responsiveness and respect of the spirit as well as letter of the law – evidenced by our numerous Corporate Awards and consistent top tier placings in the SGTI (Singapore Governance and Transparency Index) over the years.

Our Executive Chairman and/or CEO engages regularly with analysts and fund managers to ensure that we are abreast of their concerns and needs. Media interviews are also conducted where possible to share updates on our strategies, developments and industry insights with the broader audience to provide a profound perspective of the Group's business prospects.

Qian Hu is part of the "SGX Fast Track" programme, where the Group can expect to receive prioritised clearance for all submissions of corporate actions. This is designed to recognise the efforts and achievements of listed issuers which have held high standards of corporate governance and a good compliance track record.



Key components of our Investor Relations best practices include:

Financial Reporting	Annual General Meeting	Investor Relations Website & Contacts
<ul style="list-style-type: none"> Release unaudited half year results and audited full year results within 20 and 15 days after the end of the financial periods respectively Results announcements accompanied by a press release in English and Mandarin, with highlights of the results and analysis of the Group's performance All results and material announcements publicly accessible on SGXNET 	<ul style="list-style-type: none"> Posts detailed minutes of the AGM on the Group's website and SGXNET within three business days of the meeting Several channels: website, email or fax – are open to shareholders who are unable to attend the AGM or wish to provide input and feedback 	<ul style="list-style-type: none"> https://qianhu.listedcompany.com – updated real-time with SGX announcements, financial results, annual report and financial presentations as well as corporate governance report, investors' questions and answers (Q&A) and minutes of the AGM Dedicated investor relations email addresses to ensure timely responses to queries, suggestions and clarifications

Financial Calendar		
FY 2022	FY 2023	
12 Jan	12 Jan	Full-Year Results Announcement
1 Mar	1 Mar	Despatch of Annual Report
30 Mar	29 Mar	Annual General Meeting
26 Apr	25 Apr	Payment of dividend (Subject to Shareholders' approval at AGM)
19 Jul	18 Jul	Half-Year Results Announcement

8.0 GRI CONTENT INDEX

Qian Hu Corporation Limited has reported the information cited in this GRI Content Index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

GRI Standard	Disclosure	Page Reference	
GRI 2: General Disclosures 2021	2-1	Organizational details	6
	2-2	Entities included in the organization's sustainability reporting	44
	2-3	Reporting period, frequency and contact point	44
	2-4	Restatements of information	Not Applicable
	2-5	External assurance	44
	2-6	Activities, value chain and other business relationships	4-5
	2-7	Employees	62-64
	2-8	Workers who are not employees	Not Applicable
	2-9	Governance structure and composition	47
	2-10	Nomination and selection of the highest governance body	83-86, 87-88
	2-11	Chair of the highest governance body	47, 86
	2-12	Role of the highest governance body in overseeing the management of impacts	47
	2-13	Delegation of responsibility for managing impacts	47
	2-14	Role of the highest governance body in sustainability reporting	47
	2-15	Conflicts of interest	80
	2-16	Communication of critical concerns	No critical concerns raised during the reporting period
	2-17	Collective knowledge of the highest governance body	The Board of Directors have attended the sustainability training courses for Directors prescribed by SGX; Corporate Governance Report (Seminars and Trainings Attended by Directors in FY 2022)
	2-18	Evaluation of the performance of the highest governance body	47
	2-19	Remuneration policies	90-93
	2-20	Process to determine remuneration	90
	2-21	Annual total compensation ratio	161-163
	2-22	Statement on sustainable development strategy	45, 47-50
	2-23	Policy commitments	52-53, 62, 69, 71
	2-24	Embedding policy commitments	52-53, 62, 69, 71
	2-25	Processes to remediate negative impacts	71
	2-26	Mechanisms for seeking advice and raising concerns	71
	2-27	Compliance with laws and regulations	71
	2-28	Membership associations	70
	2-29	Approach to stakeholder engagement	51
	2-30	Collective bargaining agreements	62
GRI 3: Material Topics	3-1	Process to determine material topics	48-49
	3-2	List of material topics	49-50
Economic Performance			
GRI 3: Material Topics	3-3	Management of material topics	71
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	71

Sustainability Report (Cont'd)

8.0 GRI CONTENT INDEX (continued)

GRI Standard	Disclosure	Page Reference	
Business Ethics			
GRI 3: Material Topics	3-3	Management of material topics	71
GRI 205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	71
	205-3	Confirmed incidents of corruption and actions taken	71
Biodiversity			
GRI 3: Material Topics	3-3	Management of material topics	61
GRI 304: Biodiversity	304-2	Significant impacts of activities, products and services on biodiversity	61
Animal Welfare			
GRI 3: Material Topics	3-3	Management of material topics	60
GRI 13: Agriculture Aquaculture and Fishing Sectors 2022	13.11.1	Animal Health and Welfare	60
Climate Change (Energy and Emissions)			
GRI 3: Material Topics	3-3	Management of material topics	56-57
GRI 302: Energy	302-1	Energy consumption within the organisation	56
	302-3	Energy intensity	56
	302-4	Reduction of energy consumption	56
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	56-57
	305-2	Energy indirect (Scope 2) GHG emissions	56-57
Climate Change (Water Management)			
GRI 3: Material Topics	3-3	Management of material topics	58-59
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	58-59
	303-5	Water consumption	58-59
Climate Change (Waste Management)			
GRI 3: Material Topics	3-3	Management of material topics	59
GRI 306: Waste	306-1	Waste generation and significant waste-related impacts	59
	306-4	Waste diverted from disposal	59
Diversity and Equality			
GRI 3: Material Topics	3-3	Management of material topics	62
GRI 401: Employment	401-1	New employee hires and employee turnover	62-64
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	62
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	62-64
GRI 406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	62
GRI 408: Child Labour	408-1	Operations and suppliers at significant risk for incidents of child labour	62
GRI 409: Forced or Compulsory Labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	62

GRI Standard	Disclosure		Page Reference
Diversity and Equality			
GRI 13: Agriculture Aquaculture and Fishing Sectors 2022	13.20.1	Employment Practices	62
Training and Development			
GRI 3: Material Topics	3-3	Management of material topics	65
GRI 404: Training and Education	404-1	Average hours of training per year per employee	65
	404-2	Programs for upgrading employee skills and transition assistance programs	65
Customer Satisfaction			
GRI 3: Material Topics	3-3	Management of material topics	67
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	67
Innovation (Non-GRI Topic)			
GRI 3: Material Topics	3-3	Management of material topics	68-69
Supply Chain Management			
GRI 3: Material Topics	3-3	Management of material topics	69
Health and Safety			
GRI 3: Material Topics	3-3	Management of material topics	66-67
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management system	66
	403-9	Work-related injuries	66
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	66-67
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	67
GRI 417: Marketing and Labelling	417-1	Requirements for product and service information and labelling	66-67
	417-2	Incidents of non-compliance concerning product and service information and labelling	67
	417-3	Incidents of non-compliance concerning marketing communications	67
Community Engagement			
GRI 3: Material Topics	3-3	Management of material topics	70
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	70

Sustainability Report (Cont'd)

9.0 TCFD CONTENT INDEX

TCFD Pillar/Recommendation	Key Points	Page Reference
Governance		
a) Describe the board's oversight of climate-related risks and opportunities	Qian Hu has a dedicated governance framework in place to drive, govern and manage the sustainability function to ensure that core material issues are incorporated into our corporate agenda. This structure drives our priorities to protect long-term interests and create value for our stakeholders.	47
b) Describe management's role in assessing and managing climate-related risks and opportunities	<p>The Board of Directors has the ultimate responsibility for the Group's sustainability strategy and maintains oversight of the Group's sustainability direction. The Board is kept apprised of sustainability programmes, activities and progress regularly, and reviews the sustainability strategy annually. The strategy is reviewed against the overall business strategy, taking into consideration prevailing trends, economic conditions and geopolitical issues which may affect the Group.</p> <p>Reporting to the Board of Directors, a Sustainability Committee, chaired by our Chief Executive Officer, has been set up to champion our sustainability causes, as well as to spreadhead sustainability projects and initiatives, including the setting of sustainability performance benchmarks and key performance indicators.</p> <p>The Sustainability Committee is supported by the Sustainability Reporting Team, which form the core of our sustainability structure, and is made up of representatives from our operating entities in Singapore, Malaysia, China, Thailand and Indonesia. The team is actively involved in driving the execution, reporting and implementation of our sustainability strategy and programmes in their respective entities. This includes collaborating on sustainability initiatives and sharing sustainability best practices across the Group, as well as overseeing the monitoring of quantitative and qualitative measurements and working closely with all the business functions, namely, operations, human resource and procurement in the Group's sustainability efforts.</p>	47
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Qian Hu has identified and described the key climate risks and opportunities relevant to our three business segments and their associated impacts: fish, accessories and plastics.	54-55
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning		
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Qian Hu endeavours to conduct a qualitative scenario analysis in the subsequent reports.	-

TCFD Pillar/Recommendation	Key Points	Page Reference
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks	The Group has a consistent approach to risk assessment throughout its operation. The Group's risk management progress consists of identification, assessment, formulation of mitigation measures, communication and implementation, and monitoring and reviewing. The progress takes into consideration both the impact and likelihood of the risks identified.	105-110
b) Describe the organisation's processes for managing climate-related risks		
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	In the near future, Qian Hu plans to integrate climate-related risks into its Enterprise Risk Management Framework, explore climate scenario analysis options and develop a climate risk policy.	-
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Qian Hu embarked on developing GHG emissions (Scope 1 and Scope 2) in FY 2022 to establish the baseline emissions. Qian Hu intends to develop Scope 3 inventory in the coming years.	54-59
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	Our targets are to reduce water and energy use intensity by 10% by Year 2025 using Year 2020 as a baseline. Nevertheless, Qian Hu intends to set GHG reduction targets in the future as part of our decarbonisation efforts.	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		