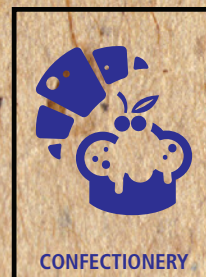
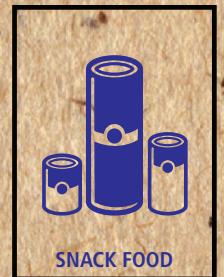


Food Empire.

Holdings Limited

ASPIRE. INSPIRE. EMPIRE.

SUSTAINABILITY REPORT 2017



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BOARD STATEMENT [GRI 102-14]

The Board is pleased to present the Sustainability Report of Food Empire Holding Limited (“Food Empire” or “the Group”) for the financial year ended 31 December 2017, in accordance to SGX-ST Listing Rule 711A and the primary components of Sustainability Reporting as set out in Listing Rule 711B.

The Sustainability Report is an annual publication that seeks to establish Food Empire’s commitment towards sustainability and its stakeholders. It is a review of Food Empire’s businesses in the context of its material environmental, social and governance (“ESG”) impacts, alongside a phased disclosure of its performance with insights into the opportunities and challenges that lay ahead for Food Empire.

The Board has the ultimate responsibility for the strategic direction and sustainable success of Food Empire. The Board works closely with Management and is responsible for:

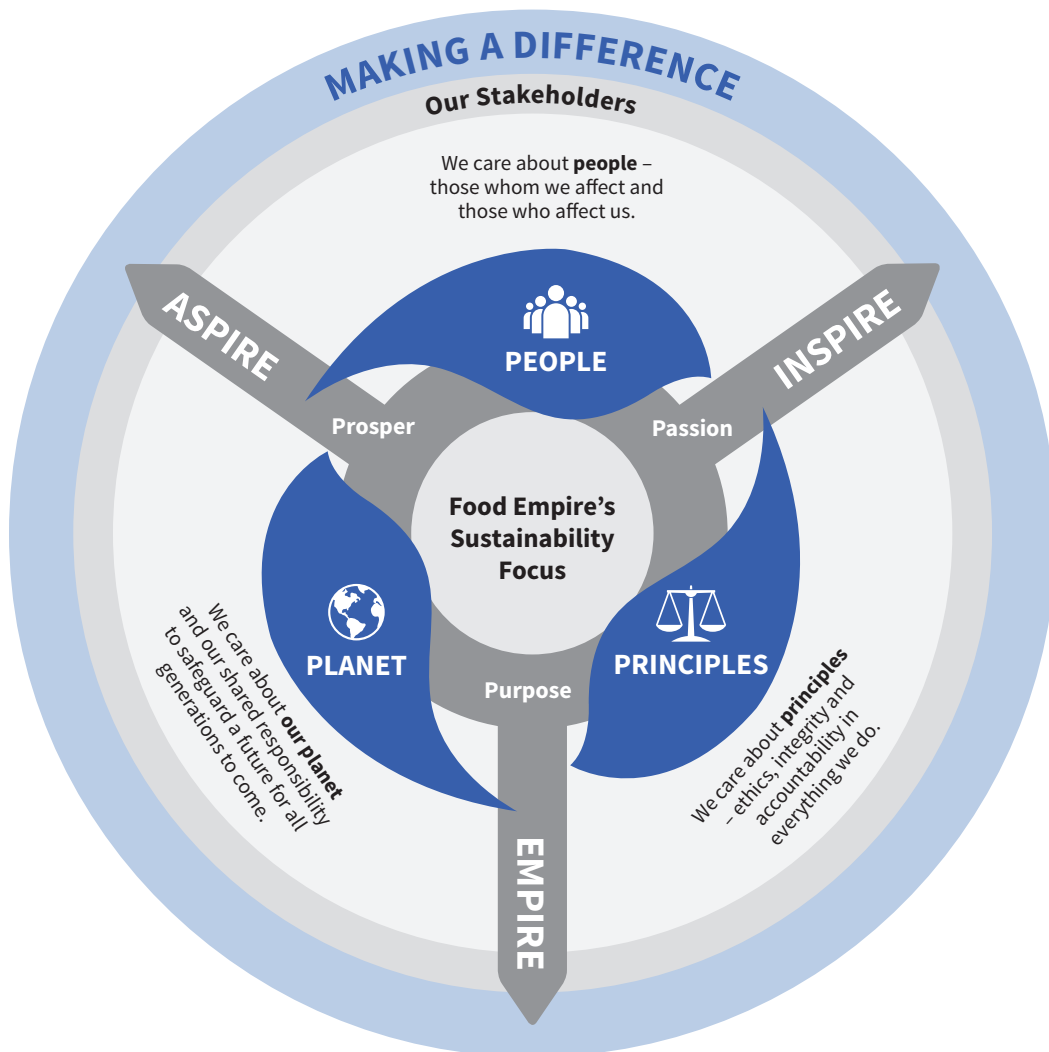
- Integrating and driving sustainability within Food Empire, setting the tone from the top
- Determining and validating Food Empire’s material sustainability matters, risks and opportunities
- Overseeing the management of Food Empire’s sustainability impacts on stakeholders
- Approving Food Empire’s sustainability strategies, commitments and targets
- Monitoring Food Empire’s sustainability performance and progress

INTRODUCTION

Aspire. Inspire. Empire.

This is the theme for Food Empire’s inaugural Sustainability Report. At Food Empire, we believe that Sustainability brings the world together. It is a shift in thinking and a call to action for organizations like us to aspire to do more so that we can inspire others to do the same. Sustainability allows us to view our business through the lens of our environmental, social and governance (“ESG”) impacts – enabling us to make a difference with our principles, to people and planet. It is a renewal of our conviction to operate sustainably and safeguard a future not just for Food Empire, but for all generations to come.

[GRI 102-1] [102-5]



ABOUT OUR REPORT

REPORTING FRAMEWORK

Food Empire's annual Sustainability Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and utilizes the GRI Reporting Principles for Defining Report Content and Quality. The GRI Standards was selected as it represents the global best practice for Sustainability Reporting, covering a wide range of ESG topics. [\[GRI 102-52\]](#) [\[102-54\]](#)

Reference has also drawn from the relevant sections of the Sustainability Reporting Guide - SGX Practice Note 7.6.

REPORTING PERIOD & SCOPE

Unless otherwise explained, the reporting period covered in our Sustainability Report is from 1st January 2017 to 31st December 2017 ("FY2017"). Where available, data and information from prior periods has also been included for comparison. [\[GRI 102-50\]](#)

This year, our Report covers our significant operations in Russia and our headquarters in Singapore. The following table summarizes the subsidiary entities included in our scope for reporting. [\[GRI 102-3\]](#)

Entities	Country	Principal activities
Future Enterprises Pte Ltd	Singapore	Sales and marketing of instant food and beverages
FES Products LLC ("FESP")	Russia	Manufacturing and distribution of instant food and beverages
FES Impex LLC	Russia	Import/Export and trading activities in Russia

As we gradually mature and progress along our Sustainability Reporting journey, we will periodically review and reassess for inclusion of more of our operations in our future editions. The ultimate goal is for us to eventually publish a comprehensive Sustainability Report that covers the full spectrum of Food Empire operations.

FEEDBACK

Food Empire is fully committed to all our stakeholders. We welcome all feedback, views and comments to improve our sustainability practices and reporting process. Please address your views and suggestions to corporate@foodempire.com. [\[GRI 102-53\]](#)

ABOUT FOOD EMPIRE

Our purpose

Our mission is to be a leading global food and beverage company providing quality products and services. We will achieve this goal as we have the people, the passion and the enterprising spirit to **make a difference**.

Our presence

Food Empire has been listed on the SGX Mainboard since April 2000. We are a global branding and manufacturing company serving the food and beverage sector. Globally, we have 24 representative and liaison offices serving consumers in over 50 countries.

Our primary markets are Russia, Ukraine, Kazakhstan and other members of the Commonwealth of Independent States (CIS), Indochina and more. Collectively, Food Empire operates eight production facilities - one in Russia, Ukraine, India, Vietnam, Myanmar and three in Malaysia). [\[GRI 102-4\]](#) [\[102-6\]](#)



Our passion

Our passion lies in people. People is the reason why we exist and the reason why we will continue to do so.

Our growing portfolio of trusted brands reflects our passion and commitment to consistently delight our consumers and create value for all stakeholders.

We have over 17 brands covering a wide range of products, from beverages to frozen food and snacks. We specialize in a wide variety of instant beverages such as instant coffee, chocolate and tea products. We also produce an assortment of snacks and easy-to-prepare frozen foods. In addition to consumer retail products, we also sell raw ingredients such as non-dairy creamers to other food manufacturers.

[\[GRI 102-2\]](#)

ABOUT FOOD EMPIRE

CATEGORIES

INSTANT BEVERAGES +

SNACK FOOD +

FROZEN FINGER FOOD +

COFFEE CAPSULES +

PRIVATE LABEL MANUFACTURING +



INSTANT BEVERAGES BRANDS

Bolt	MacTea
Café PhO	MacCereal
CaféRite	MacChocolate
FesAroma	MacCoffee
Hillway	MacFito
Hyson	NutriRite
Klassno	Petrovskaya Sloboda



SNACK FOOD BRAND

Kracks



FROZEN FINGER FOOD BRANDS

Orienbites
Food Empire
Food Services



COFFEE CAPSULES BRAND

Tazzanera



PRIVATE LABEL MANUFACTURING BRAND

Build your own brand of high-quality potato chips



TAZZANERA



COFFEE ONE
coffeesystem

MacTea



MacChocolate



CaféRite



FINEST SELECTION OF TEA
HILLWAY

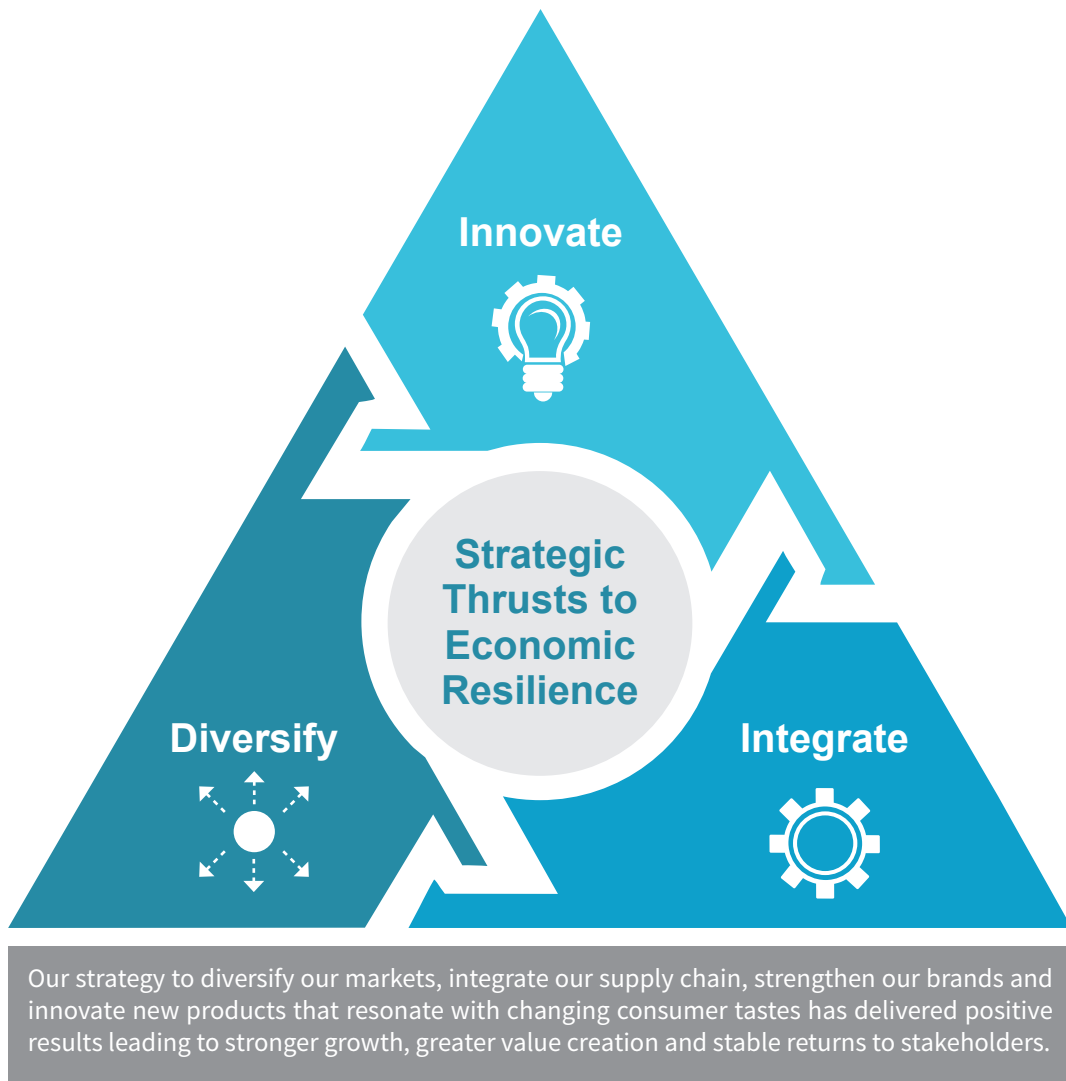
KLASSNO

DONNACHOS

HYSON

ECONOMIC RESILIENCE

Economic resilience is paramount to the sustained success of Food Empire. Over the past few years, we have worked relentlessly to overcome challenges in our operating environment. Our strategic response during this period focused on diversifying our key markets and driving upstream expansion along the value chain, allowed us to achieve revenue growth for two consecutive years since 2015. In FY2017, we have seen 11.2% growth in revenue year-on-year to US\$269.5 million.¹



¹ For more details on the financial performance, please refer to Food Empire Holdings Limited's Annual Report 2017, available at <http://foodempire.listedcompany.com/ar.html>

ECONOMIC RESILIENCE

INNOVATE

Innovation is one of our strategic thrusts to strengthen our economic resilience - it is the force that enables Food Empire to develop new, viable offerings for our consumers. Today, against a backdrop of rapid fiscal, demographic and societal changes, innovation is quintessential in enabling us to remain nimble and stay ahead of our competition. We embrace and encourage new ideas, and harness our resources to propel the activation of our brands across our markets.

DIVERSIFY

Throughout its history, the Group has encountered a few economic downturns along the way. The most recent and arguably biggest crisis is the major devaluation of currencies in our core markets; Russia, Ukraine and Kazakhstan in 2014. The Group incurred significant forex losses as we sell our products in local currencies. Despite the difficulties, we preserved and maintained our position as market leader and the favourite choice of consumers. The experience however taught us the importance of diversifying geographically and we have been venturing outside our traditional markets into Asia in recent years.



ECONOMIC RESILIENCE



CASE STUDY BREWING SUCCESS WITH CAFÉ PHỐ

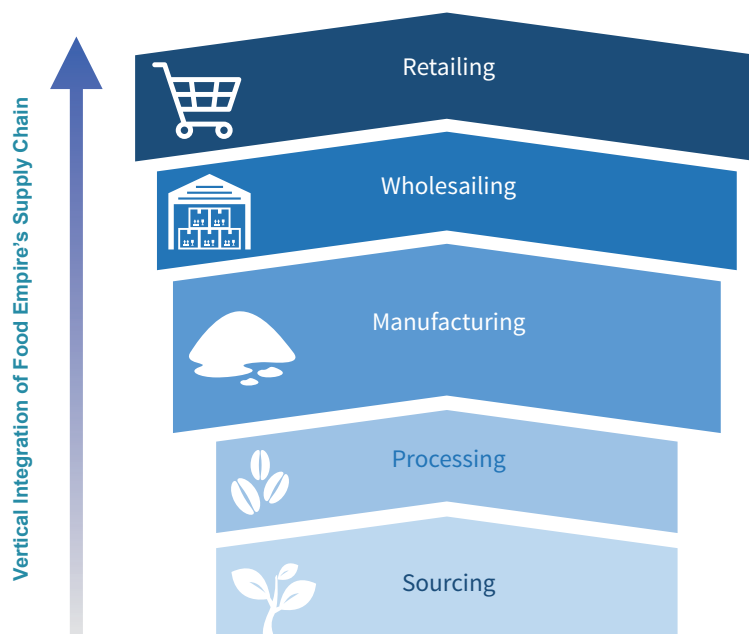
Food Empire encountered many challenges breaking into the Vietnamese market – a place with a rich coffee-drinking culture where consumers primarily prefer drip coffee with condensed milk – until we managed to find a niche in iced coffee instant mix. The new product offered consumers the convenience without compromising on the taste of iced coffee.

Vietnam accounts for the bulk of Food Empire's Indochina sales. Introduction of Maccoffee Café Phố resulted from a careful study and an evaluation of the product gap in the market combined with precise product positioning and product packaging communication. In the instant beverage sales category, Café Phố boosted our Indochina's annual sales from USD 10.5 million to USD 37.9 million within

3 years of launch. Today, Café Phố is ranked amongst the leading coffee players in the 3in1 segment. The case illustrated how an exact product was created to satisfy the consumers' desired taste profile and consumption pattern. Another important success factor was having the right team to ensure success.

INTEGRATE

Over the years, we have embarked on the vertical integration of our supply chain. Food Empire has built manufacturing facilities for instant coffee and non-dairy creamer in India and Malaysia, respectively. The company also set up a snack manufacturing unit to produce stacked chips in Malaysia. The integration enables greater control of the production and distribution of our products, allowing for cost optimization, while maintaining productivity and consistency in product quality .



In demonstrating our ability to consistently deliver product excellence that meets our stakeholders' expectations, we have in place a rigorous supplier assessment process for all potential suppliers as part of our ISO 9001 Quality Management System. Potential suppliers are assessed on several criteria (e.g. Quality Systems, Inspection & Test Procedures, Purchasing Systems, Controls of Non-Conformance and Handling/Storage/Despatch of Goods etc.). [\[GRI 102-9\]](#)

STAKEHOLDERS AND MATERIALITY

OUR KEY STAKEHOLDERS





Food Empire works with a diverse range of stakeholders across our value chain. In this report, we have identified the key stakeholder groups who are instrumental to the success of Food Empire. We engage our stakeholders through open and transparent channels of communications, consider their interests and respond in a timely manner to their concerns. [GRI 102-40] [102-42] [102-43] [102-44]

Key Stakeholder Groups	Key Engagement Modes and Frequency		Key Interests	Our Goal for the Stakeholder Group
Shareholders	• Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Financial and operational performance of Food Empire Good corporate governance of Food Empire Sustainability of Food Empire Transparency 	Our goal is to create long-term sustainable value for our shareholders. We seek to deliver an atmosphere of trust by means of transparent and timely communication and provide relevant and reliable information.
	• Annual shareholder meeting	Annual		
	• Announcements and circulars	Regular		
	• Investor relations channel	Active		
	• Investor presentations, road shows, dialogue sessions	Regular		
	• Quarterly reports	Quarterly		
Employees and Workers	• Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Engagement in Food Empire's business Equal opportunities and non-discrimination Health, safety and well being Job satisfaction Remuneration Training and development opportunities 	Our goal is to connect and strengthen relationships with our people through building working environments that foster communication and participation. We seek to enhance their growth, development and align their vision and values with that of Food Empire.
	• Company events and activities	Regular		
	• Control self-assessment for Senior Management	Regular		
	• Human resource channel	Active		
	• Staff appraisal	Regular		
	• Surveys and interviews	Ad hoc		
	• Training and development programs	Regular		
	• Volunteer and community activities	Ad hoc		
Consumers	• Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Business ethics and sustainable practices Food safety and hygiene Innovation Product quality and nutritional value Responsible marketing and labelling 	Our goal is to sustain brand loyalty and trust of our consumers through a unique brand experience to meet their well-being and enjoyment. We seek to innovate and strive for the highest quality standards in our products.
	• Consumer enquiries channel	Active		
	• Marketing and labelling of products	Active		
	• Mass media and social media	Regular		
	• Point of sale	Active		
	• Surveys and market research	Ad hoc		
Suppliers and business partners	• Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Business ethics and sustainable practices Long-term business relationship with Food Empire Financial and operational performance of Food Empire Sustainability of Food Empire 	Our goal is to achieve sustainable, long-lasting business relationships with our suppliers and partners across our value chain. We seek for close collaboration and mutual development.
	• Direct communication, meetings and discussions	Regular		
	• Evaluation and monitoring	Ad hoc		
	• Joint initiatives and programmes	Ad hoc		
	• Site visits and audits/checks	Ad hoc		
	• Surveys	Ad hoc		
Communities	Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Contributions to economic and social development Environmental impact of operations Local employment 	Our goal is to contribute to the economic, environmental and social development of the communities we operate in. We support the development of communities through philanthropy and volunteerism.
	Corporate social responsibility initiatives	Ad hoc		
	Sponsorship and philanthropy	Ad hoc		
Government and Regulators	• Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Compliance to applicable laws and regulations Contributions to economic and social development Environmental impact of operations 	Our goal is to support governments and regulators and contribute to societal and global progress. We seek to be fully compliant with all applicable environmental and socio economic laws and regulations.
	• Industry sector participation channels	Ad hoc		
	• Participation in conferences, meetings and discussions	Ad hoc		
	• Site visits and audits/checks	Ad hoc		
Financiers	• Annual report and sustainability report	Annual	<ul style="list-style-type: none"> Financial and operational performance of Food Empire Good corporate governance of Food Empire Sustainability of Food Empire Timely repayment of loan principal and interest 	Our goal is to exercise a high level of financial discipline and demonstrate strong competence in managing the performances of our business. We seek to cultivate and sustain relationships with our lenders to ascertain the financial flexibility for our growth opportunities.
	• Direct communication, meetings and discussions	Annual		
	• Announcements and circulars	Regular		

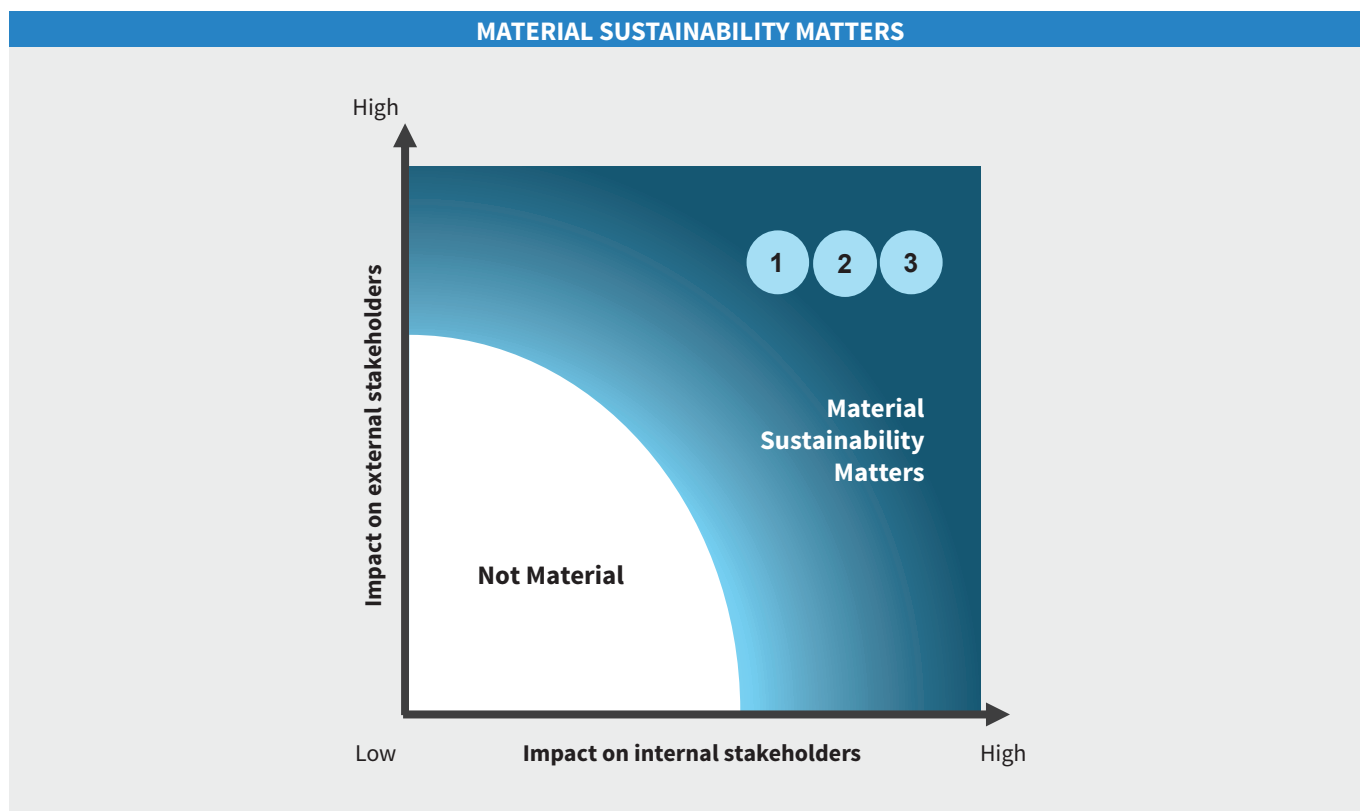
STAKEHOLDERS AND MATERIALITY

MATERIALITY ASSESSMENT

Food Empire defines material sustainability matters as topics that encompass our significant ESG impacts and substantially influences the decision-making process of our stakeholders. We have in place a formal materiality assessment process to identify and prioritize ESG matters. We work extensively with an independent organization to facilitate this process, which is summarized in the diagram below. [GRI 102-46] [102-47]

PRINCIPLES					
Food Empire's materiality assessment is primarily guided by the Reporting Principles of <i>Sustainability Context, Completeness, Stakeholder Inclusiveness and Materiality</i> , as set out in the GRI framework.					
MATERIALITY ASSESSMENT PROCESS					
 Identification		 Prioritization		 Validation	 Review
i	ii	iii	iv	v	
A comprehensive list of potential material sustainability matters is identified, taking into account insights drawn from: <ul style="list-style-type: none"> • Our periodic engagements with various stakeholders • Internal factors (business strategy, operations, risk management, value drivers, etc.) • External factors (sectorial, geographical, societal and environmental aspects, etc.) 	Rigorous cross-functional interviews and focus group discussions were conducted with members from Senior and Middle Management to refine the initial list of potential material sustainability matters.	A materiality assessment workshop was conducted with members from Senior and Middle Management. Prioritization of sustainability-related matters was carried out through an unbiased, anonymous electronic voting exercise on Food Empire's potential material sustainability matters. The results are plotted below as a materiality matrix that displays each matter's position relative to the degree of impact as determined by both internal and external stakeholders.	As this is Food Empire's inaugural Sustainability Report, a phased approach has been adopted. The three highest ranked material sustainability matters were selected for disclosure. The results were then presented to the Board, which has the overall responsibility in determining the material sustainability matters of Food Empire. The Board validated and approved the material sustainability matters.	In the subsequent reporting periods, these material sustainability matters will be reviewed and reassessed for their continuing relevance in the sustainability context. Based on the results of the materiality review, Food Empire expects to include additional sustainability matters for reporting in the years ahead.	

STAKEHOLDERS AND MATERIALITY



MAPPING OF MATERIAL SUSTAINABILITY MATTERS TO GRI STANDARDS TOPICS

No.	Sustainability Matters		Relevant GRI Standards Topics
1	E	Energy Consumption and Greenhouse Gas (GHG) Emissions	GRI 302: Energy GRI 305: Emissions
2	S	Consumer Health and Safety	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
3	G	Anti-corruption	GRI 102: Ethics and Integrity GRI 205: Anti-Corruption

PRINCIPLES TO SUSTAIN OUR *EMPIRE*

Our leadership to drive sustainability

Corporate governance is the bedrock for all organizations. It is a system built around relationships – relationships between our management, our Board and all the stakeholders that we are accountable to. We believe that good governance is essential for the sustained progress and prosperity of Food Empire and the communities we operate in. More importantly, it is what inspires and drives sustainability within all levels of our organization.

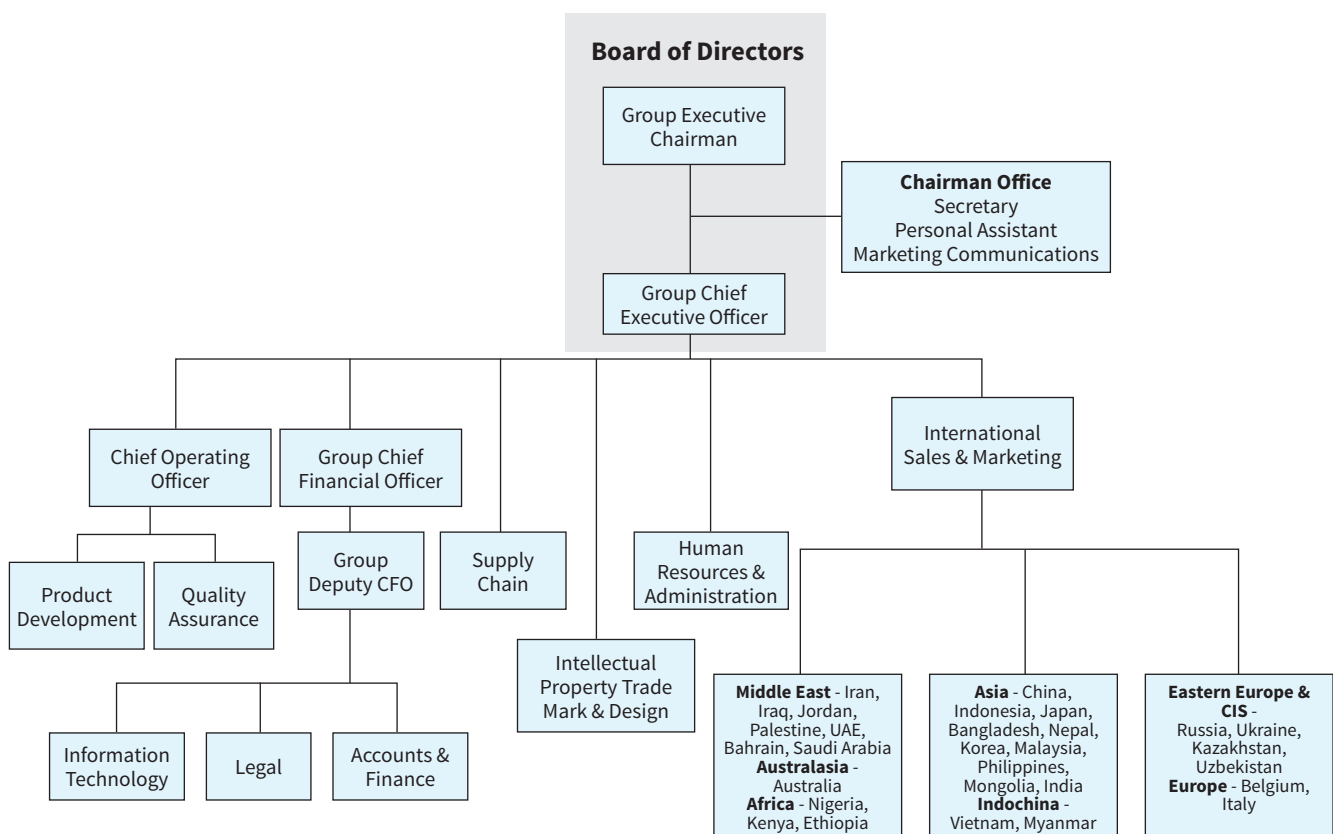
Our governance structure enables good decisions to be made by the right people, with clearly defined roles and responsibilities across all levels. We are currently in the midst of refining our sustainability governance structure. When ready, it will be disclosed in our subsequent publications. Currently, in managing and monitoring our key sustainability impacts, risks and opportunities, the respective roles and responsibilities mirror that of the individuals according to our governance structure. [\[GRI 102-18\]](#)

ROLE OF THE BOARD

The Board of Directors (“the Board”) is collectively responsible for the long term success of Food Empire. The Board provides Food Empire’s strategic direction and considers sustainability matters as part of its strategic formulation. Setting the tone from the top, the Board holds the ultimate responsibility for Food Empire’s sustainability reporting and the integration of sustainability within Food Empire. The Board validates Food Empire’s material sustainability matters and oversees the monitoring and management of the material sustainability matters and their respective policies, performance and targets. [\[GRI 102-29\]](#) [\[102-32\]](#)

ROLE OF MANAGEMENT

Management works closely with the Board and advises on the strategies set in the area of sustainability. It recommends and seeks approval from the Board on the prioritized sustainability matters and the sustainability-related policies, practices and targets for adoption. Management monitors and manages all sustainability matters, with a focus on matters material to Food Empire. It oversees the preparation of data and information for sustainability reporting.



PRINCIPLES TO SUSTAIN OUR *EMPIRE*

Our stance against corruption

We work tirelessly to ensure that we uphold our ethical principles, comply with all applicable laws and regulations, and honour our commitment towards our stakeholders. Combating corruption can be a challenge in the markets we operate in. To that end, we adopt a strict, zero-tolerance stance and a proactive approach towards the prevention of corruption.

WHY IS ANTI-CORRUPTION IMPORTANT?

Corruption may occur under the guise of many forms – bribery, fraud, extortion, collusion, embezzlement or abuse of power etc. – but the end result is broadly linked to negative impacts that affect stakeholders most. These impacts not only affect within the organization but in the communities and economies that we operate in as well. This is especially felt most by our stakeholders in transition economies who are at risk of socioeconomic and environmental damage. Therein, we are expected by society and our stakeholders to demonstrate our commitment towards anti-corruption and operate as a responsible corporate citizen. [\[GRI 103-1\]](#)

HOW DO WE MANAGE THIS MATERIAL MATTER?

Food Empire sets high expectations of our people through our *Business Ethics and Code of Conduct*, which is communicated to all our employees and directors. Wherever we are located, we are committed to conducting business on the basis of morality and uphold the highest ethical standards in the way we interact with our stakeholders. All employees and directors are expected to faithfully adhere to all ethical and legal standards and to preserve our organization’s integrity and reputation. Failure to do so may render them liable for disciplinary proceedings, including dismissal, termination of service and/or civil action, where deemed appropriate. The following table summarizes the policies and procedures set out in our *Business Ethics and Code of Conduct*. [\[GRI 103-2\]](#) [\[205-2\]](#)

POLICIES AND PROCEDURES	SUMMARY
Legal compliance	<ul style="list-style-type: none"> Employees and directors are expected to comply with the local laws and regulations (e.g. Anti-Corruption, Labour, Immigration Act etc.) in all the countries we operate in.
Product quality and safety	<ul style="list-style-type: none"> Products must meet all applicable food safety and hygiene standards required by law in the countries we manufacture and supply to.
Gifts, loans and entertainment	<ul style="list-style-type: none"> Employees and directors should not, directly or indirectly, accept gifts of cash, favors or anything of value which could impair, or appear to impair their ability to perform their duties or exercise their judgment in a fair and unbiased manner.
Interest in other business and organizations	<ul style="list-style-type: none"> Employees and directors should not, directly or indirectly, engage in any work or business other than those in connection with their duties. This includes not having any deemed interest in any transaction, competitor or supplier which could influence objectivity and create a conflict of interest.
Indirect interests and relationships	<ul style="list-style-type: none"> Employees and directors should not be in a position to make or influence any decision made pertaining to any transaction or business endeavour which might involve their relatives.
Confidentiality and use of company information	<ul style="list-style-type: none"> Employees and directors should not use for personal benefit or disclose any company information and data to any other person or entity, even after termination of employment.
Diversion of corporate opportunities	<ul style="list-style-type: none"> Employees and directors should not appropriate or divert any business or financial opportunity to any other person or entity.
Safeguarding company property	<ul style="list-style-type: none"> Employees and directors should utilize the company’s resources and assets in a most efficient manner, to increase competitiveness and provide the best possible service to customers.
Code of Conduct	<ul style="list-style-type: none"> Employees and directors are expected to follow the Code of Conduct, which covers: <ol style="list-style-type: none"> High Standard of Honesty and Integrity Loyalty to Company Conflict of Interest Cost Effectiveness

WHAT ARE OUR GOALS AND PERFORMANCE?

Food Empire is committed towards the perpetual targets of 0 confirmed incidents of non-compliance with all applicable laws and regulations and 0 confirmed incidents of corruption. [\[GRI 103-2\]](#)

During the year, there were 0 confirmed incidents of corruption (2016: 0). [\[GRI 205-3\]](#)

INSPIRE PEOPLE THROUGH OUR PASSION

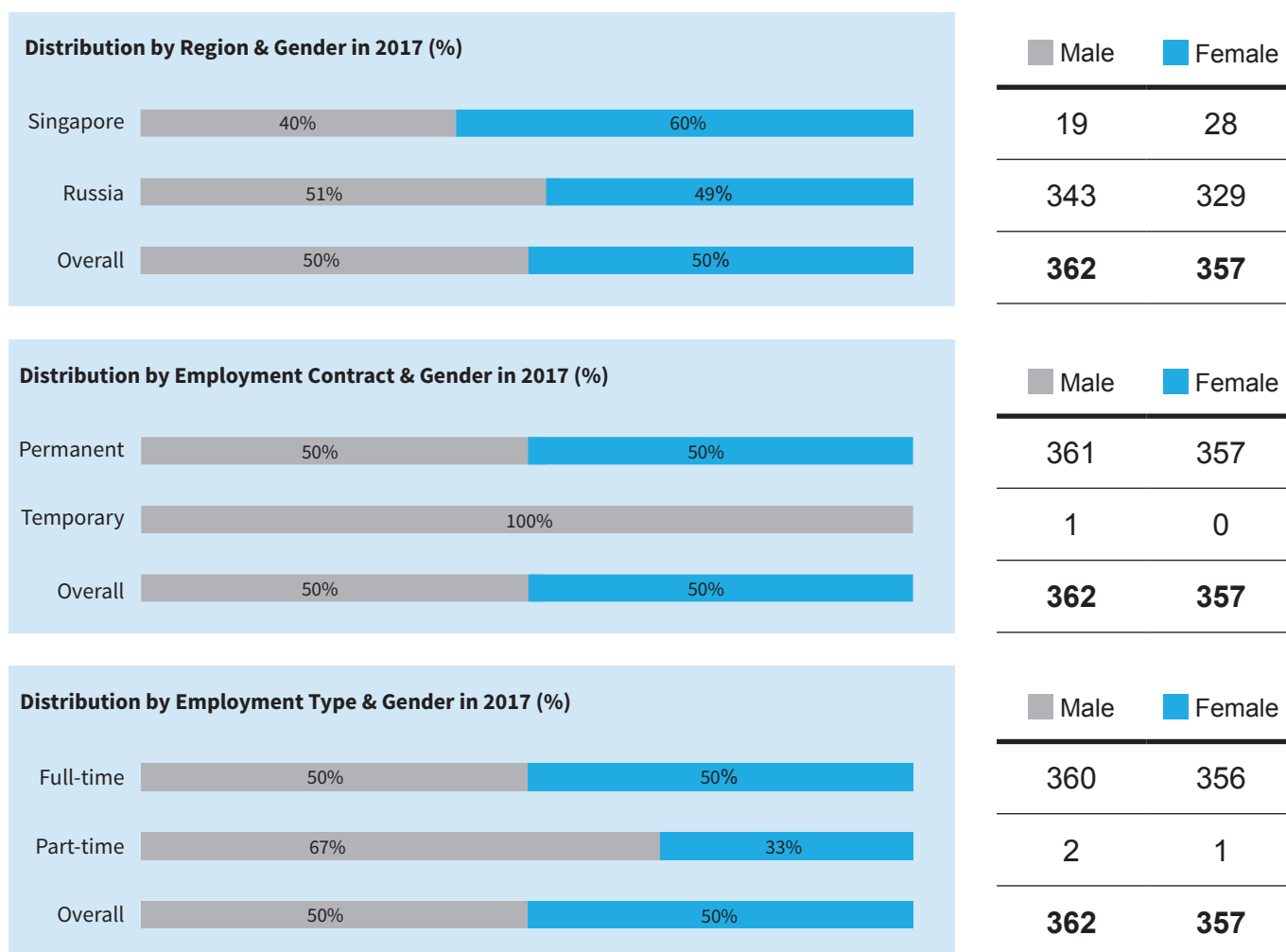
Our sustainable workforce

To do great things, we have to first begin with those that matter most to us – our people. Our success in the market would not be possible without the commitment and effort of every single individual in our organization. It is our conviction that value created for our employees ultimately transcends to value created for all stakeholders they interact with. Over the years, we are changing and improving our human resource practices to reflect the ideals paramount for our sustainable workforce.

At Food Empire, we embrace differences and diversity among all our people. We hire individuals based on merit and skill, regardless of race, ethnicity, religion, gender and age, etc. We believe that inclusivity promotes better team collaboration, motivation and performance. This ultimately improves employee satisfaction and retention, allowing us to sustain our success in the market.

PROFILE OF OUR WORKFORCE²

In Singapore and Russia, we have a total of 719 employees in 2017 (2016: 721). The bulk of our employed workforce are mainly permanent, full-time employees. Gender diversity remained stable during the year, with females representing 50% of our workforce (2016: 50%). [\[GRI 102-8\]](#)



² For the purposes of this inaugural Sustainability Report, our workforce is scoped to only include our employees, for our operations in Russia and our headquarters in Singapore.

INSPIRE PEOPLE THROUGH OUR PASSION

Our shared heritage with our communities

We aspire to be the change we want to see in our communities. Communities are at the heart of the things we do. We aspire to contribute greatly to the growth of our local communities and are dedicated to ensuring that our global operations weave prosperity into the socioeconomic fabric. We believe that for us to prosper in the long term, the communities we serve have to prosper too. This resonates with our mission to make a difference.

Some of our community outreach programs for the year include:

CSR ACTIVITIES

Upgrade a House, Bring a Smile



Food Empire embarked on a new project, *Upgrade a House, Bring a Smile*, to help improve the living environment of the elderly staying in 1-bedroom rental units through a series of refurbishment works including painting, cleaning, bedbug fumigation and de-cluttering. The team is deeply grateful for the kind donations received for this initiative. The outpour of support will surely inspire us to do more for the betterment of living conditions for the less fortunate.

Celebrating with the Community



Compassion and empathy thrive within Food Empire. Several of our personnel celebrated National Day by reaching out to the elderly residents of All Saints Home in Hougang. In addition to our volunteers' time and effort, Food Empire made the occasion extra special by sponsoring product giveaways. Indeed, it was a meaningful way to celebrate national pride and sense of community.



Organized by the Bedok Reservoir Punggol CCC to foster ties and promote unity, the *National Day Dinner 2017* brought members of the community to share a good cheer and good food. Food Empire was honoured to sponsor this annual event.

Food Empire Cares at Chai Chee



Food Empire touched hearts in Chai Chee as it sponsored the *Project Sunshine Charity Dinner for the Chai Chee Needy Recipients*, a buffet dinner for the estate's elderly residents. The residents were also delighted to receive grocery shopping vouchers during the event.

INSPIRE PEOPLE THROUGH OUR PASSION

CSR ACTIVITIES

Caring for families in need



Food Empire volunteers to care for several low-income families and those with disabled children. Every month, we provide monetary donations and our products to meet their daily needs.



Supporting talented and outstanding children in Dmitrov



Food Empire actively supports the project of Dmitrov Chamber of Commerce and Industry to identify talented and outstanding children in various areas such as science, language, sports, etc. We value the education of youths who will eventually be the generation to lead the country forward.

Construction of the children's playground



A children's playground was built on the territory of Dmitrov city's hospital to liven the space where children and their families can interact and have fun. We strive to improve facilities and create conducive spaces to bring families together.

Supporting sports development in Dmitrov and Yakhroma



Food Empire supports the development of sports in Dmitrov and Yakhroma with monetary support and the construction of facilities such as the swimming pool «KASHALOT» and the hockey club «Dmitrov». Children and families can enjoy these sports facilities for free, and have the opportunity to partake in a wide range of sporting activities.



INSPIRE PEOPLE THROUGH OUR PASSION

Our consumers health and safety in our hands

Trust matters greatly and it is what keeps us going. Trust is what allows our consumers to make that decision to enjoy our food and beverages with confidence. Quality is the finest ingredient for trust. To that end, quality and food safety considerations begin with each recipe we create. We set high standards for ourselves to assess and control risks that could impact the quality of our products throughout our supply chain - from raw materials to packaging to placing the finished products in our consumers' hands. Because their health and safety are in ours.

WHY IS CONSUMER HEALTH AND SAFETY IMPORTANT?

The food and beverage industry continues to evolve and undergo transformational change brought about by a new generation of consumers and increasing governmental regulations. Part of our strategy to maintain relevance in this competitive landscape compels us to draw upon the scientific, operational and consumer dimensions of food safety to identify and mitigate these sustainability risks. Consumers have the right to expect that every product they purchase and consume from Food Empire is 100% safe for consumption and of the highest quality. Consumer health and safety is important to us because any lapses directly impact human health and human lives. In addition, such incidences will affect stakeholder sentiment and perception on the value of our brands and our organization. Therein, it is a natural operational and reputational imperative for us to place great importance in consumer health and safety. [\[GRI 103-1\]](#)

HOW DO WE MANAGE THIS MATERIAL MATTER?

Our success in the market is fundamentally dependent on our constant supply of top quality products that will meet and exceed the expectations of our consumers and other stakeholders. In a bid to continuously enhance our brands and maintain the confidence in our products, we have in place a Quality and Food Safety Policy. This policy sets out the principles that underpin our commitment towards consumer health and safety. [\[GRI 103-2\]](#)

POLICY	SUMMARY
Quality and Food Safety	<ul style="list-style-type: none"> Manufacture products that meets or exceeds our quality and food safety standards and statutory and regulatory requirements Develop and implement the Quality Management System and Product Safety System and validate their effectiveness through internal and external verification processes Engage with vendors on their quality systems and specifications for inspection, handling, storage, and despatch of raw materials and packaging materials Communicate with consumers on product storage and other consumer guidelines

At Food Empire, we consistently challenge ourselves to set the highest quality and safety standards. All our operations are committed to continuous improvement, which is measured, evaluated and validated through internal and external verifications. Our Quality Management System and Product Safety System are certified by various external certification centres on compliance with the following standards. [\[GRI 103-3\]](#)

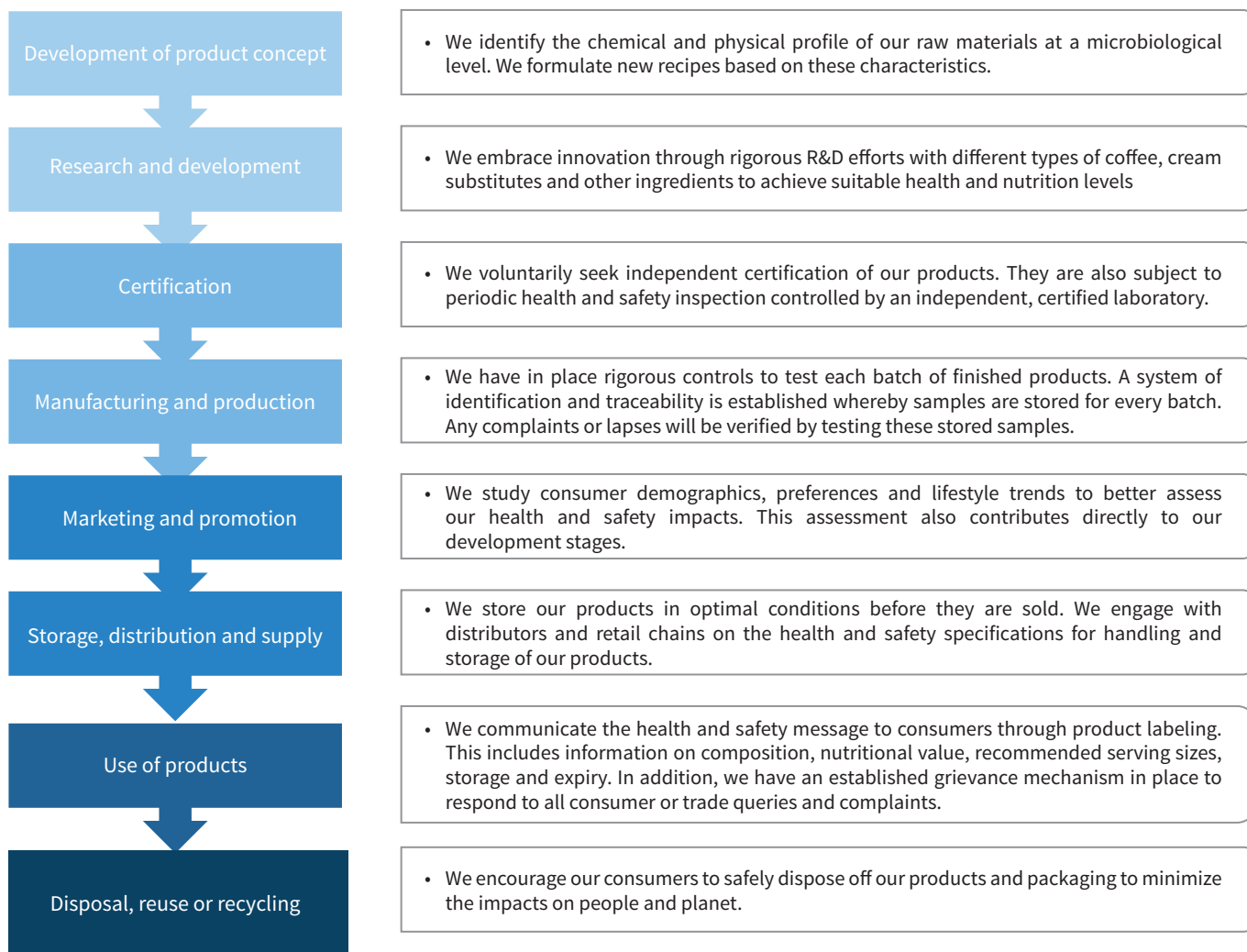
CURRENT CERTIFICATIONS FOR OUR MANUFACTURING FACILITY IN RUSSIA ³	
STANDARDS CERTIFIED	DESCRIPTION OF STANDARD
GOST⁴ R ISO 22000-2007 (ISO 22000: 2005) Food Safety Management Systems	<ul style="list-style-type: none"> This standard sets out the requirements for a food safety management system and maps out what an organization needs to do to demonstrate its ability to control food safety hazards and ensure food safety.
GOST R 54762-2011 (ISO/TS 22002-1:2009) Prerequisite Programmes on Food Safety – Part 1: Food Manufacturing	<ul style="list-style-type: none"> This standard sets out the requirements for establishing, implementing and maintaining prerequisite programmes to assist in controlling food safety hazards.
GOST ISO 9001-2011 (ISO 9001:2008) Quality Management Systems – Requirements	<ul style="list-style-type: none"> This standard sets out the criteria for an effective quality management system and it is designed to help organizations ensure that they meet the needs of stakeholders, statutory and regulatory requirements.

Across the life cycle of our products, we take systematic efforts to assess their health and safety impacts, communicate them to our stakeholders and gather areas for improvement. [\[GRI 103-2\]](#) [\[103-3\]](#) [\[416-1\]](#)

³ These certifications relate to the entity FES Products LLC in Russia, whose principal activities include the manufacturing and distribution of our products.

⁴ Gosudarstvennyy Standart (GOST) refers to a set of technical state standards maintained by the Euro-Asian Council for Standardization, Metrology and Certification (EASC), a regional standards organization operating under the auspices of the CIS. These state standards are an analogue of the corresponding International Organization for Standardization (ISO) standards.

INSPIRE PEOPLE THROUGH OUR PASSION



WHAT ARE OUR GOALS AND PERFORMANCE?

Food Empire is committed towards the perpetual target of 0 confirmed incidents of non-compliance with all applicable laws and regulations concerning consumer health and safety. [\[GRI 103-2\]](#)

During the year, there were 0 confirmed incidents of non-compliance with regulations concerning health and safety or product information and labelling (2016: 0). There were also 0 confirmed incidents of non-compliance with voluntary codes (2016: 0). [\[GRI 416-2\]](#) [\[417-2\]](#)

ASPIRE TO PROSPER WITH OUR PLANET

Our one and only planet

November 4th, 2016 marked a momentous milestone for humanity as the Paris Agreement⁵ on climate change enters into force – a turning point that flexes the combined socio-political and economic willpower of countries, governments, investors, citizens and businesses to take decisive global action on global warming. The Paris Agreement is a guardrail to keep the world on track. This is the warcry of human endeavour and as stakeholders of our planet, we aspire to be the stewards that will shift the tide of climate change.

WHY IS ENERGY AND EMISSIONS IMPORTANT?

There is an increasing number of research supported by evidence that shows the impact of climate change on the food industry. In 2017, a study by the National Academy of Sciences of the United States of America explained the correlation between climate change and pollinator decline. With such shifts in pollinators and crops, there are global implications for food security and large losses in areas suitable for coffee production – the results suggest that coffee-growing areas will be reduced by 73-88% by 2050 across global warming scenarios.⁶ Coffee is one of our key raw materials and such risks will subject us to price pressures and uncertainties. Therefore, Food Empire views climate change through the cascading lens of potential sustainability risks that may arise (e.g. food and supply risk) and impact our businesses in the future.

At a financial level, energy costs comprise a modest portion of our operating expenditure. A collective focus on reducing energy consumption will not only enable us to reap financial savings but result in a direct reduction of our greenhouse gas (GHG) emissions. We are determined to improve our environmental performance and strive towards minimizing our impact through our operations. [GRI 103-1]

HOW DO WE MANAGE THIS MATERIAL MATTER?⁷

Food Empire has various energy conservation initiatives in place at facility-level across our operations. We strive to align our energy and emissions management with the various country-specific energy regulations and policies. In Russia, we abide to the “*Federal Law on Energy Conservation and Energy Efficiency*”, which seeks to reduce the intensity of electricity, heat, water and gas consumption of companies. The Government has also approved the “*Action Plan to Phase-Out Incandescent Lamps in Russia and to Promote Demand for Energy Efficient Light Sources*” where organizations are obliged to increase their adoption of energy efficient lighting.

Over the years, our manufacturing plant in Russia has allocated resources to better manage our energy consumption and GHG emissions. In 2017, we embarked on replacement of all incandescent and fluorescent lamps with LED lamps and installed automatic lighting throughout our plant. [GRI 103-2]

WHAT ARE OUR GOALS AND PERFORMANCE?

We adopt a phased approach in managing our environmental impact. Looking forward, one of our key goals is to modernize our ventilation systems in order to sizably reduce our energy consumed for heating (during winter) and cooling (during summer). [GRI 103-2]

Fuel consumption mainly relates to relatively small amounts of diesel oil and motor gasoline used in the operation of forklifts and motor vehicles at our manufacturing facility in Russia. During the year, total fuel consumption increased 8.6% from 2016 levels as we bought three new cars and a bigger bus for transporting our worker in 2017. A total of 1,724 GJ of direct energy was consumed, translating to 123 tonnes of CO₂ emissions.

⁵ The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC) that deals with greenhouse gas emissions mitigation, adaptation and finance. The Paris Agreement’s central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

⁶ Imbach, et al. (2017) “Coupling of pollination services and coffee suitability under climate change”, Proceedings of the National Academy of Sciences of the United States of America, vol. 114 no. 39

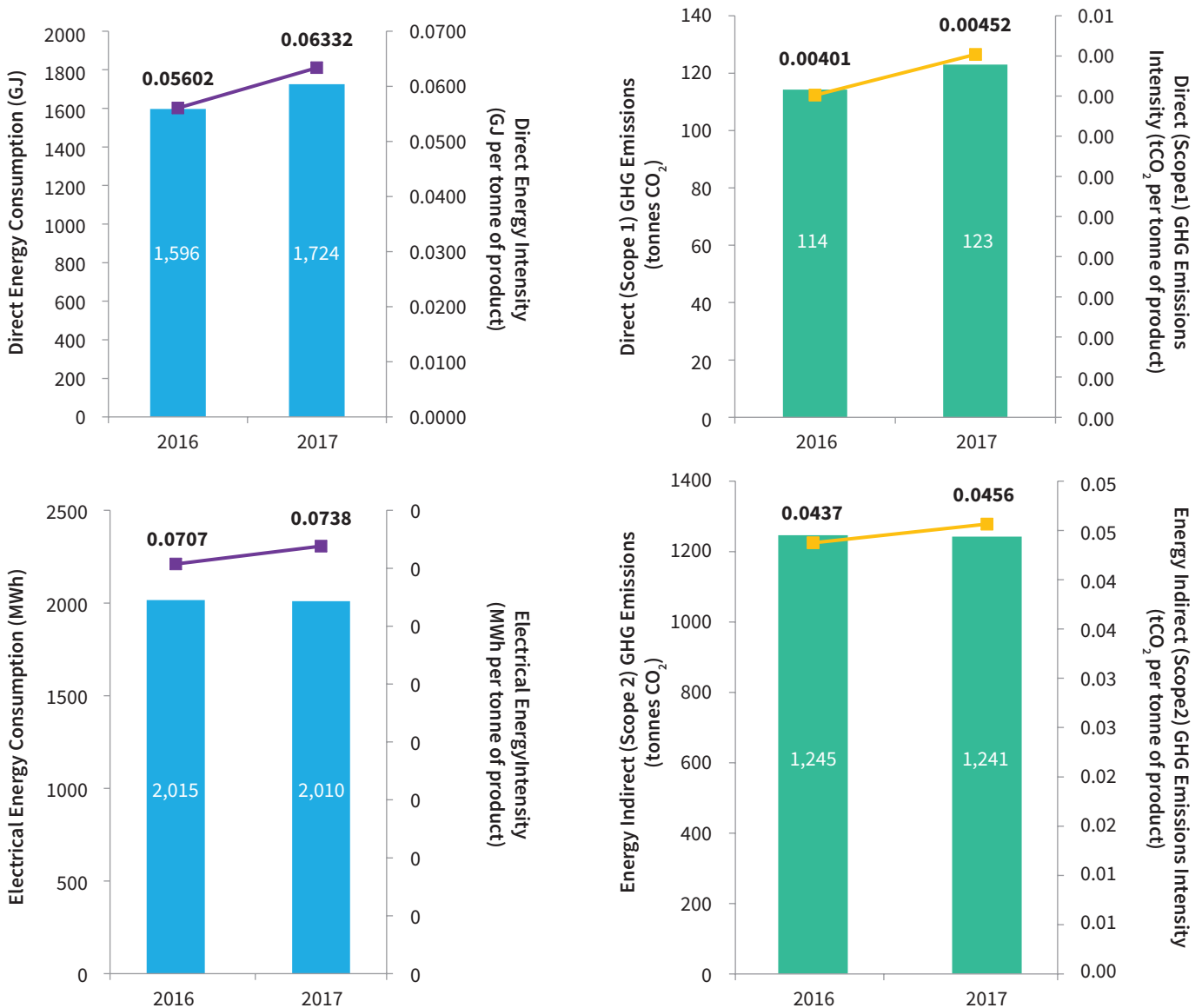
⁷ For the purposes of this inaugural Sustainability Report, our environmental performance is scoped to only include the energy and emissions of our manufacturing facility in Russia.

ASPIRE TO PROSPER WITH OUR PLANET

A significant portion of our energy consumption is from electricity purchased from the grid. Our current system of data collection does not provide for separately reporting of our electricity consumption for production and non-production activities. Hence, the reported total energy consumption includes all activities from production, warehouses and usage in offices.

In 2017, our energy consumption for warehousing activities increase considerably as we acquired two new warehouses during the year. Previously, this service was provided by third party and was not accounted for under our energy data. In 2017 total energy consumption remained at almost the same as the previous year. The increase in energy usage from the 2 new warehouses was offset by reduction in energy usage for production due to decrease in production volume (from 28,488 tonne in 2016 to 27,224 tonne in 2017). As the energy intensity is being reported on the basis of production volume, the energy intensity increased slightly. The energy consumption translates to 1,241 tonnes of CO₂ emissions⁸.

Legend:



⁸ The GHG emission factor used for the calculation of the Energy Indirect (Scope 2) GHG Emissions are based on the 2017 Annual Carbon Emission Factors for Integrated Power System (IPS) Center from the project "Development of the electricity carbon emission factors for Russia" by the European Bank for Reconstruction and Development.

GRI CONTENT INDEX [GRI 102-55]

GRI STANDARDS DISCLOSURES		REFERENCE(S) OR REASONS FOR OMISSION (IF APPLICABLE)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	About Food Empire (SR Pg 6-7)
102-2	Activities, brands, products, and services	About Food Empire (SR Pg 6-7)
102-3	Location of headquarters	Corporate Information (AR Pg 60)
102-4	Location of operations	About Food Empire (SR Pg 6-7)
102-5	Ownership and legal form	Corporate Information (AR Pg 60), Shareholders' Information (AR Pg 136), Statistics of Shareholdings (AR Pg 137)
102-6	Markets served	About Food Empire (SR Pg 6-7)
102-7	Scale of the organisation	Our sustainable workforce (SR Pg 16), Financial Highlights (AR Pg 11)
102-8	Information on employees and other workers	Our sustainable workforce (SR Pg 16)
102-9	Supply chain	Economic resilience (SR Pg 10)
102-10	Significant changes to the organisation and its supply chain	Operations and Financial Review (AR Pg 12-13)
102-11	Precautionary principle or approach	Risk Management and Internal Controls (AR Pg 29), Internal Audit (AR Pg 33)
102-12	External initiatives	Our shared heritage with our communities (SR Pg 17-18), Our consumers health and safety in our hands (SR Pg 19)
102-13	Membership of associations	Information unavailable
Strategy		
102-14	Statement from senior decision-maker	Board Statement (SR Pg 3), Executive Chairman's Message (AR Pg 6)
Ethic and Integrity		
102-16	Values, principles, standards, and norms of behavior	Our stance against corruption (SR Pg 15), Our sustainable workforce (SR Pg 16)
102-17	Mechanisms for advice and concerns about ethics	Audit Committee (AR Pg 31)
Governance		
102-18	Governance structure	Our leadership to drive sustainability (SR Pg 14), Board Matters (AR Pg 21-22)
102-20	Executive-level responsibility for economic, environmental, and social topics	Our leadership to drive sustainability (SR Pg 14), Chairman and Group Chief Executive Officer (AR Pg 24)
102-22	Composition of the highest governance body and its committees	Board of Directors (AR Pg 16-17), Board Matters (AR Pg 21-22), Board Composition and Guidance (AR Pg 23-24)
102-23	Chair of the highest governance body	Chairman and Group Chief Executive Officer (AR Pg 24)
102-24	Nominating and selecting the highest governance body	Board Membership (AR Pg 25-26), Board Performance (AR Pg 26)
102-25	Conflicts of interest	Board Matters (AR Pg 21-22)
102-26	Role of highest governance body in setting purpose, values, and strategy	Board Statement (SR Pg 3), Our leadership to drive sustainability (SR Pg 14), Board Matters (AR Pg 21-22)
102-29	Identifying and managing economic, environmental, and social impacts	Board Statement (SR Pg 3), Our leadership to drive sustainability (SR Pg 14), Board Matters (AR Pg 21-22)
102-30	Effectiveness of risk management processes	Risk Management and Internal Controls (AR Pg 29)
102-32	Highest governance body's role in sustainability reporting	Board Statement (SR Pg 3), Our leadership to drive sustainability (SR Pg 14)
102-35	Remuneration policies	Remuneration Matters (AR Pg 27-28)
102-36	Process for determining remuneration	Remuneration Matters (AR Pg 27-28)
Stakeholder Engagement		
102-40	List of stakeholder groups	Our key stakeholders (SR Pg 11)
102-42	Identifying and selecting stakeholders	Our key stakeholders (SR Pg 11)
102-43	Approach to stakeholder engagement	Our key stakeholders (SR Pg 11)
102-44	Key topics and concerns raised	Our key stakeholders (SR Pg 11)

Reference:

SR - Food Empire's Sustainability Report 2017

AR - Food Empire's Annual Report 2017

GRI CONTENT INDEX [GRI 102-55]

GRI STANDARDS DISCLOSURES		REFERENCE(S) OR REASONS FOR OMISSION (IF APPLICABLE)
General Disclosures		
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Investments in Subsidiaries (AR Pg 90-94), Investments in Associates (AR Pg 95-97)
102-46	Defining report content and topic boundaries	Materiality Assessment (SR Pg 12-13)
102-47	List of material topics	Materiality Assessment (SR Pg 12-13)
102-48	Restatement of information	Not applicable as this is Food Empire's inaugural sustainability report.
102-49	Changes in reporting	Not applicable as this is Food Empire's inaugural sustainability report.
102-50	Reporting period	Reporting Period and Scope (SR Pg 5)
102-51	Date of most recent report	Not applicable as this is Food Empire's inaugural sustainability report.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Feedback (SR Pg 5)
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Framework (SR Pg 5)
102-55	GRI content index	GRI Content Index (SR Pg 23-24)
102-56	External assurance	Food Empire has not sought external assurance for this report. External assurance will be considered as its reporting matures over time.
Material Topic: Anti-corruption		
Management Approach		
103-1	Explanation of the material topic and its boundary	Our stance against corruption (SR Pg 15)
103-2	The management approach and its components	Our leadership to drive sustainability (SR Pg 14), Our stance against corruption (SR Pg 15)
103-3	Evaluation of the management approach	Our stance against corruption (SR Pg 15)
Anti-corruption		
205-2	Communication and training about anti-corruption policies and procedures	Our stance against corruption (SR Pg 15)
205-3	Confirmed incidents of corruption and actions taken	Our stance against corruption (SR Pg 15)
Material Topic: Energy Consumption and GHG Emissions		
Management Approach		
103-1	Explanation of the material topic and its boundary	Our one and only planet (SR Pg 21)
103-2	The management approach and its components	Our leadership to drive sustainability (SR Pg 14), Our one and only planet (SR Pg 21)
103-3	Evaluation of the management approach	Our one and only planet (SR Pg 21)
Energy		
302-1	Energy consumption within the organisation	Our one and only planet (SR Pg 22)
302-3	Energy intensity	Our one and only planet (SR Pg 22)
Emissions		
305-1	Direct (Scope 1) GHG emissions	Our one and only planet (SR Pg 22)
305-2	Energy indirect (Scope 2) GHG emissions	Our one and only planet (SR Pg 22)
305-4	GHG emissions intensity	Our one and only planet (SR Pg 22)
Material Topic: Consumer Health and Safety		
Management Approach		
103-1	Explanation of the material topic and its boundary	Our consumers health and safety in our hands (SR Pg 19-20)
103-2	The management approach and its components	Our leadership to drive sustainability (SR Pg 14), Our consumers health and safety in our hands (SR Pg 19-20)
103-3	Evaluation of the management approach	Our consumers health and safety in our hands (SR Pg 19-20)
Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Our consumers health and safety in our hands (SR Pg 19-20)
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Our consumers health and safety in our hands (SR Pg 20)



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