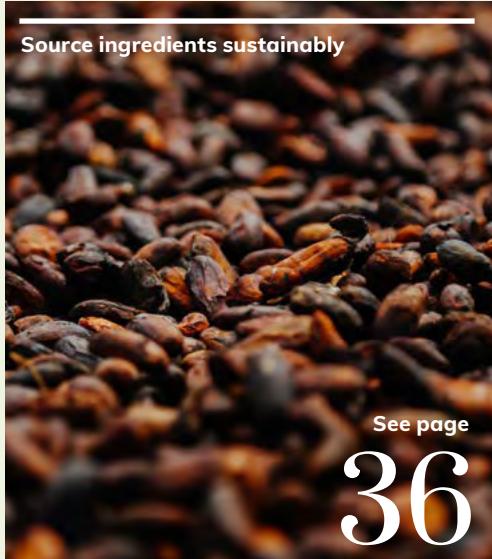




FERRERO

Ferrero Sustainability Report 2022

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Welcome to our 14th Sustainability Report

This is a progress report that builds on our four pillars reporting approach, to streamline and increase the transparency of the Group's sustainability efforts and vision.

We describe what we have achieved, and our future plans to go beyond this as we grow our global business.



01

Protecting the
environment

02

Sustainably sourcing
high-quality ingredients

03

Promoting responsible
consumption

04

Empowering people

Executive Chairman's and Chief Executive Officer's statements



Giovanni Ferrero
Executive Chairman,
Ferrero Group

I'm proud to share Ferrero's 14th Sustainability Report. I am confident it demonstrates the maturity of our sustainability journey and shows the sustainable and solid way we conduct our business, everywhere we operate.

The financial year 2021/2022 was particularly difficult, as war broke out, supply chains were disrupted, energy costs surged and inflation grew alongside the cost of raw materials. The Group was able to grow despite these challenges, confirming its resilience thanks to a strong governance, the dedication of its people, loved brands, a solid business model and long-lasting relationships with our suppliers. But just as importantly, the challenges we have faced and continue to face make clearer than ever that we need to increase our efforts to create a more sustainable future for all. As you will read in this report, the solid progress of our sustainability plans has not been affected.

That said, I must pause and offer my thoughts and deepest sympathies to the people of Turkey and Syria, who have been affected by devastating earthquakes recently. We have a production plant in Turkey, and source a great many of our hazelnuts from the region. In addition, we have many valued partners in the country. To support the needed rescue and relief efforts for the affected communities, Ferrero has channelled

donations through Save the Children to support recovery, with a particular focus on health, nutrition and education for children. Moreover, working alongside the International Labour Organization in Turkey, we have committed to deliver additional funds for earthquake relief which will primarily benefit children living in the most affected regions.

As Ferrero grows and diversifies, we increasingly rely on our global workforce to support us, and we aim to engage and inspire all our people with the emotion and passion that has characterised generation after generation of the Ferrero community. We work to build a culture of trust, respect, diversity and opportunity for all, because we care about our people. We believe it is essential to always work to create an inclusive company culture that uses the full range of people talents. Our focus on people extends across the whole value chain, ensuring we uphold high standards of safety, and of human and labour rights, both within our business and throughout our supply chain.

I would like to thank all the Ferrero employees and partners who work so hard to continue to serve our customers, help us succeed as a business, and support the communities which are an integral part of our business.

Giovanni Ferrero
Executive Chairman, Ferrero Group



Lapo Civiletti
Chief Executive Officer,
Ferrero Group

Despite a challenging economic and geopolitical environment for all businesses, the Group was able to grow and to increase investments in its brands, R&D and production capacity. These investments represent our continuous approach to improving the quality, freshness and safety of our products, while reducing our environmental impact, all of which you can read about in this report.

Ferrero closed the financial year with a consolidated turnover of 14 billion euro, an increase of 10% compared to the previous year's turnover of 12.7 billion euro. The Group now comprises 109 companies and 32 manufacturing plants around the world, selling in over 170 countries directly or through distributors. Our workforce,

as of 31 August 2022, comprised of over 41,400 employees, 2,600 more than the previous year.

With our sustainability work structured in four major pillars, we have made excellent progress towards the objectives we have set ourselves. I would like to mention some of this year's highlights, of which you can read more in the report that follows.

As regards the environment, we have developed a Climate Plan that focuses on decarbonising our industrial activities, based on technological interventions. It is structured at corporate and factory levels. Our Scope 2 emissions (market-based) are now less than half what they were two years ago. Wastewater has decreased over the past two years, and waste levels from production are also in decline. We are also proud to report that 88.5% of our packaging is designed to be recyclable, and we have partnerships for each of the four steps of our packaging roadmap to 2025 and beyond, to help us continue to make progress in our desire to offer more sustainable packaging.

We have also made great strides in sustainable sourcing. This year, we completed our four-year Cocoa & Forests Initiative (CFI) Action Plan. We reached the targets we set back in 2018 and, in many cases, surpassed them. Our new plan in development will have targets for 2025. Along with other CFI companies, we also shared substantial farm data and mapping in Ivory Coast and Ghana with the World Resources Institute (WRI) to create a collective Farm

Dataset. WRI has also applied its Deforestation Risk Assessment methodology to the dataset. This year, we bought about 97% of our entire cocoa volume from farmer groups we support through our sustainability programmes, of which 82% from our dedicated farmer groups. We sourced all cocoa through certifications and other independently managed standards.

Moreover, we continue to implement a holistic community-development programme with Save the Children in 65 communities in the Haut-Sassandra region in Ivory Coast, in close collaboration with the local authorities and our suppliers.

We achieved 79% traceability for the hazelnuts we buy. Chile, Argentina, France and the USA all confirmed they were fully traceable after implementing the Sourcemap platform.

We continue to meet our target to source 100% RSPO-certified sustainable palm oil for our historical Ferrero brands and for Thorntons. For other recently acquired brands, we are working to achieve the same, and now source 99.4% RSPO-certified palm oil across all our brands. We use only cage-free eggs within the EU (around 93% of our total egg use) and source 100% cane sugar certified by Bonsucro. In late 2022, we also published our new Dairy Charter, which you can read more about on page 54.

For our people, we have set long-term diversity and inclusion goals for 2030, which relate to gender, nationality, generations, working culture and persons with disabilities.

At the end of June 2022, we finalised the acquisition of FULFIL Nutrition, a company making high-quality vitamin and protein bars, as part of our strategy to meet the evolving health needs of consumers.

At Easter 2022, we needed to recall Kinder products manufactured at our plant in Arlon, and in collaboration with Belgian food safety authorities, suspended our production there. Food safety, quality and consumer care have been at the heart of Ferrero since the company was founded. This serious event goes to the core of what we stand for. Therefore, we've made significant investments, updated equipment, installed new lines, and updated safety protocols and training, to preserve the full trust and confidence of our consumers. The authorities gave the conditional permission for the reopen in June and confirmed the production licence in September 2022.

You can find out more about our sustainability initiatives in this report as well as on our website. I hope you will find it interesting and informative, and I welcome your feedback.

Lapo Civiletti
Chief Executive Officer, Ferrero Group

About us

Our purpose, values and structure provide a strong foundation that continues to evolve in line with our global expansion, changing consumer needs and innovation of our products and packaging.

Our Values

Ferrero has been built by generations of people who share a commitment to continuous improvement. Our core values provide the foundations for our purpose and are a guiding force for our people and suppliers as our Company continues to grow.



Loyalty and trust

Our loyalty towards consumers and the trust they place in our products are at the core of the long-lasting relationships we enjoy with them.

Respect and responsibility

Based on respect for equality of treatment, we promote the professional and personal development of our people and strong relationships with local communities.

Integrity and moderation

Our communications reflect the values of human dignity, family and children in line with strong moral and ethical principles and a commitment to healthy lifestyles.

Passion for quality, research and innovation

Our goal is to create unique products through innovative research and production processes, careful selection of raw materials, and quality and traceability across our businesses.

Entrepreneurship

Our success lies in our ability to establish a clear vision and be proactive with our investments, timely with our undertakings and excellent in our execution.

Work, donate, create

Alongside the Ferrero Foundation, the entire Ferrero Group engages in social responsibility activities as an integral part of our way of doing things.

How we do things

We live out our purpose every day through our



Consumers

Responsible marketing practices, high-quality ingredients and innovative products



Company

Respect and care for our people through the organisation



Business Partners

Integrity and trustworthy approach to our retailers and suppliers



Communities

Care for the communities in which we operate and where we source from

About us (continued) Our presence in the world



ARGENTINA
AUSTRALIA
AUSTRIA
BELGIUM
BRAZIL
BULGARIA
CAMEROON
CANADA
CHILE
CHINA
COLOMBIA
CROATIA
CZECH REP.
DENMARK
DUBAI

ECUADOR
FINLAND
FRANCE
GEORGIA
GERMANY
GREECE
HUNGARY
HONG KONG
INDIA
INDONESIA
IRELAND
ISRAEL
ITALY
JAPAN

KAZAKHSTAN
KUWAIT
LUXEMBOURG
MALAYSIA
MEXICO
MONACO
MOROCCO
NETHERLANDS
NORWAY
POLAND
PORTUGAL
PUERTO RICO
ROMANIA
RUSSIA

SERBIA
SINGAPORE
SLOVAKIA
SOUTH AFRICA
SOUTH KOREA
SPAIN
SRI LANKA
SWEDEN
SWITZERLAND
TAIWAN
TURKEY
UKRAINE
UK
USA



6 AGRICULTURAL COMPANIES:
ARGENTINA, AUSTRALIA, CHILE, GEORGIA, SERBIA, SOUTH AFRICA

7 MANUFACTURING PLANTS ACROSS:
(CHILE 2, ITALY 1, TURKEY 4)

LEARN MORE ABOUT [FERRERO HAZELNUT COMPANY](#)

32 manufacturing plants

1. ITALY	ALBA	1946
2. GERMANY	STADTALLENDORF	1956
3. FRANCE	VILLERS-ÉCALLES	1960
4. ITALY	POZZUOLO	1965
	MARTESANA	1965
5. AUSTRALIA	LITHGOW	1974
6. IRELAND	CORK	1975
7. ECUADOR	QUITO	1975
8. ITALY	BALVANO	1985
9. ITALY	S. ANGELO	
	DEI LOMBARDI	1985
10. BELGIUM	ARLON ¹	1989
11. POLAND	BELSK DUZY	1992
12. ARGENTINA	LA PASTORA	1992
13. BRAZIL	POÇOS DE CALDAS	1994
14. CAMEROON	YAOUNDÉ	2005
15. CANADA	BRANTFORD	2006
16. SOUTH AFRICA	WALKERVILLE	2006
17. INDIA	BARAMATI	2007
18. RUSSIA	VLADIMIR ²	2009
19. MEXICO	S. JOSÉ ITURBIDE	2013
20. TURKEY	MANISA	2013
21. CHINA	HANGZHOU	2015
22. UNITED KINGDOM	ALFRETON	2015
23. USA	NORTH CANTON	2017
24. USA	BLOOMINGTON	2018
25. USA	FRANKLIN PARK	2018
26. USA	LOUISVILLE	2019
27. USA	FLORENCE	2019
28. USA	AUGUSTA	2019
29. USA	CHICAGO	2019
30. SPAIN	ALZIRA	2019
31. ITALY	CASTEL D'ARIO	2019
32. UNITED KINGDOM	HALSTEAD	2020

Status as of August 31st 2022.

1. For further information on the Arlon plant, please see page 60.

2. [Ferrero public statement](#).

PLANTS ACQUIRED STARTING FROM 2019 ONWARDS
ARE NOT INCLUDED IN THE SCOPE OF THIS REPORT
(N.26 TO 32) – EXCEPT WHERE SPECIFIED.

About us (continued)

Our Company

109

consolidated companies³ in
more than 50 countries

41,441

Employees⁴

Total Consolidated Net Turnover Euros/000



Total Production Tonnes



3. As of 31/08/2022 the number of Legal Entities consolidated by Ferrero International SA (Ferrero Group parent company, therefore excluded from the count) was 109. List of entities included is included in the Ferrero's Group consolidated financial statements for fiscal year 2021/22.

4. As of 31/08/2022.

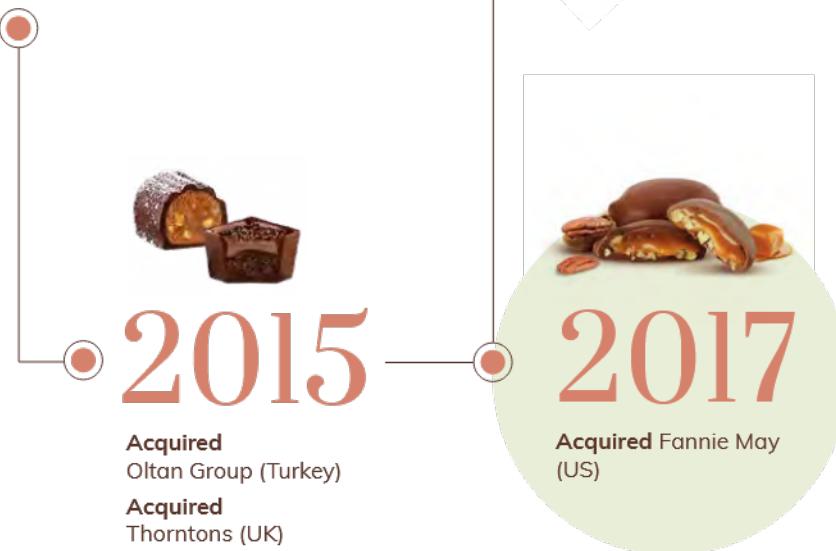
Our brands



About us (continued)

Expanding our portfolio

Alongside organic growth, our global presence is constantly expanding as we enter new product categories and grow across Europe and North America through strategic acquisitions. We are constantly evolving our portfolio of well-established brands that consumers love, allowing us to diversify and capitalise on exciting growth opportunities.



About us (continued)

Our value chain

As we continue to grow our business responsibly, we ensure we embed sustainability fully by considering our impacts and opportunities along the value chain – from raw materials to end of life.



See page
36



See page
60



See page
28



See page
23



See page
59



See page
34

Raw materials

We source raw materials such as cocoa, palm oil, hazelnuts, sugar, milk and eggs to make our products. We rely on long-term relationships with suppliers to ensure they understand, practice and embrace our values. Traceability enables us to monitor how our raw materials are produced.

Production

Our products are manufactured in over 30 manufacturing plants globally and we work with third-party suppliers to produce KINDER® Surprise toys. Aiming for high quality and safety standards in our manufacturing and third-party operations and managing the environmental and social impacts are high priorities.

Packaging

Packaging protects the quality and freshness of our products to guarantee a delightful experience for our consumers. It is also an important means of communication with consumers, helping them choose our products by providing clear and understandable information. The materials that go into our packaging include glass, paper and plastic.

Logistics

Our products are distributed and sold directly and through authorised dealers in more than 170 countries. We work with logistics operations to transport raw materials, semi-finished products, and KINDER® Surprise materials throughout the value chain via our network of warehouses.

Consumption

Our products bring joy and pleasure to consumers as part of a healthy and balanced lifestyle. We do this responsibly, going beyond legal requirements with our marketing communications and ingredient information and offering serving sizes that let consumers manage their daily energy needs.

End of life

Packaging plays a crucial role but it can cause harm to the environment if it is not disposed of in the right way. Providing clear guidance on how to dispose of our packaging, and ensuring it is reusable, recyclable or compostable, is key to managing our impacts.

Our sustainability priorities

Our sustainability framework

Governance structure policies and process

Partnerships

Technology

Certifications



Protect the environment

We work hard to manage and reduce our environmental impact, increasing environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing circularity in our manufacturing and packaging.



Source ingredients sustainably

We aim to create a thriving supply chain that benefits farmers and their communities, and protects people and the environment. Responsible sourcing is the way we do business and the way we build our supply chains across all our categories. The higher the risk, the stronger our level of understanding and protection of the supply chain needs to be.



Promote responsible consumption

We strive to offer high-quality products and freshness and always endeavour to communicate responsibly.



Empower people

We care about our 41,441 people in more than 50 countries, and aim to build a culture of trust, respect, diversity and opportunity for all. We believe it essential that we work at all times to create an inclusive company culture that uses the full range of its talents to respond to our business priorities. We listen and respond to our people's views, and create a working environment where they feel valued and able to grow.

Cluster 01

SDGs aligned to Ferrero's strategy



Cluster 02

SDGs supported by Ferrero's activities



Cluster 03 (enabler)

SDGs enabling Ferrero's strategy



Our sustainability priorities (continued)

Protecting the environment

Our ambition

We work hard to manage and reduce our environmental impact, increasing environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing circularity in our manufacturing and packaging.



Materiality assessment issues

Climate action*

Product design, packaging and circularity*

Water management

Industrial and food waste

Collaboration and partnership for the goals

*material issues

SDGs contribution

Cluster 1



Cluster 2



Enabler



Read more about our 'Protect the environment' pillar from page 17, including:

Climate action

- In December 2020, we set our science-based carbon targets for 2030:
 - To reduce absolute Scope 1 and 2 emissions by 50% from a 2018 baseline with roadmap agreed.
 - To reduce Scope 1, 2 and 3 emissions intensity by 43% from the same baseline, working with suppliers to identify solutions.
- Increased our energy efficiency and confirmed a central capital-expenditure programme dedicated to reducing our carbon footprint.
- Continued increasing share of renewable electricity to more than 88% globally and 100% in Europe.

Water management

- Continued water audits and plans for most significant production sites.
- Water intensity decreased by around 3.8% (compared to previous FY).

Industrial and food waste

- Enhancement of waste data collection and reporting to drive further improvements.
- Waste recovery rate continuous to improve through better separation and work with suppliers. Currently 11 of our production plants reached a waste recovery-rate higher than 99%.

Packaging design and the circular economy

- Continued working on our target of designing 100% of our packaging to be reusable, recyclable or compostable, in our four main areas of action: R&D and open innovation, existing packaging development and design, working with recyclers and national waste-management systems, and educating consumers.
- We continued working to reduce the use of virgin plastic by using 100% recycled content in PET bottles.

Our sustainability priorities (continued)

Source ingredients sustainably

Our ambition

We aim to create a thriving supply chain that benefits farmers and their communities, and protects people and the environment. Responsible sourcing is the way we do business and the way we build our supply chains across all our categories. The higher the risk, the stronger our level of understanding and protection of the supply chain needs to be.



Materiality assessment issues

Human rights in supply chains*

Biodiversity, deforestation prevention and sustainable agriculture*

Climate action*

Animal welfare

Community livelihoods and development

Innovation and digitalisation

Collaboration and partnership for the goals

Supplier engagement and transparency

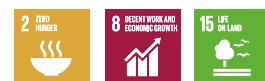
*material issues

SDGs contribution

Cluster 1



Cluster 2



Enabler



Read more about our 'Source ingredients sustainably' pillar from page 36, including:

Cocoa

- In 2022, we published Ferrero's [Cocoa Charter](#) and [Cocoa Action Plan](#) that highlight continued ambition for a cocoa industry that is good for people and nature.
- In March 2022, we disclosed our [2020/2021 cocoa supply chain](#), as part of our commitment to transparency on where our cocoa comes from.
- In December 2022, we published our [Cocoa Progress Report](#), where we outline the results of our global cocoa sustainability programme.
- In January 2021, we achieved our objective to source 100% of our cocoa through independently managed standards.⁵
- Our level of traceability for cocoa is above 96%⁶ to farmer groups and around 89%⁷ to farmer level.
- More than 1/3 of our cocoa farmers are already adopting agroforestry practices.

Hazelnuts

- Published our [Hazelnut Charter](#), aiming for a hazelnut industry where hazelnut production creates value for all.
- Achieved 79% traceability in total this year.
- Partnership with ILO across all hazelnut sourcing regions in Turkey.

Palm oil

- Published our [Palm Oil Charter](#), aiming for a palm oil industry where palm oil production creates value for all.

- Continue to meet our target to source 100% RSPO-certified sustainable palm oil as segregated for historical brands – and 99.6% RSPO across all brands, including the most recently acquired ones.
- For recently acquired brands, Thorntons has met the same standard, while the work for the remaining brands is ongoing.
- All Ferrero historical brands are constantly surveyed through satellite monitoring.

Other ingredients

- Use 100% cage-free eggs within the EU (around 93% of our total) since 2014 and working to achieve global commitment by 2025.
- Source 100% cane sugar certified by Bonsucro.
- Published our [Dairy Charter](#).
- Working on traceability of other ingredients like coffee, paper and dairy.

5. These standards include certification schemes like Rainforest Alliance and Fairtrade and verified sustainability programmes of our suppliers like Coco Horizons, Promise Cocoa Verified and Beyond Beans. The complete list of standards we apply to our supply is publicly reported in our Cocoa Charter and Cocoa Progress Report.

6. Considering traceable to farm gate if minimum GPS waypoint available.

7. Polygon mapping to farm level.

Our sustainability priorities (continued)

Promote responsible consumption

Our ambition

We strive to offer high-quality products and freshness and always endeavour to communicate responsibly.



Materiality assessment issues

Nutrition, health and lifestyles*

Products and ingredients' safety and quality*

Responsible marketing

Innovation and digitalisation

Collaboration and partnership for the goals

*material issues

SDGs contribution

Cluster 1



Cluster 2



Enabler



Read more about our 'Promote responsible consumption' pillar from page 58, including, but not limited to:

Products and ingredients' safety and quality

- Maintained FSSC 22000 certifications in our 23 plants⁸.

Nutrition, health and lifestyles

- Further developed our nutrition strategy, focused on four key principles serving sizes, high-quality ingredients, food education and active lifestyles.

Responsible marketing

- Maintained current commitment to responsible marketing and communications.

8. Due to a local decision Alfreton maintained the BRC certification obtaining an A grade. In August 2022 North Canton received its initial certification audit successfully and the official FSSC 22000 certificate was issued on 19th September 2022.

Our sustainability priorities (continued)

Empower people

Our ambition

We care about our 41,441 people in more than 50 countries, and aim to build a culture of trust, respect, diversity and opportunity for all. We believe it essential that we work at all times to create an inclusive company culture that uses the full range of its talents to respond to our business priorities. We listen and respond to our people's views, and create a working environment where they feel valued and able to grow.



Materiality assessment issues

Diversity and inclusion*

Human rights in supply chains*

Collaboration and partnerships for the goals

Community livelihoods and development

Employee occupational health and safety and wellbeing

Employee satisfaction and development

Employment and labour relations

Governance and business ethics

Innovation and digitalisation

*material issues

SDGs contribution

Cluster 1



Cluster 2



Enabler



Read more about our 'Empower people' pillar from page 69, including, but not limited to:

Diversity and inclusion

- A transformed approach to D&I, engaging Ferrero employees in all functions, countries and levels.

Human rights in supply chains

- Published our first [Human Rights Report](#).

Employee satisfaction and development

- A significant shift in our approach to managing and enhancing the employee experience.
- Maximising the use of MS Teams as our virtual classroom for our learning programmes.

Employee occupational health and safety and wellbeing

- A global Wellbeing programme to promote the long-term health and wellbeing of all employees with a key focus on health, energy, protection and community – flexible to local circumstances.
- Restructuring H&S function to support a rapidly growing organisation.

Investing in our community

- Continued social-responsibility programmes through the Ferrero Foundation, the Michele Ferrero Entrepreneurial Project and Kinder Joy of moving.

Our sustainability progress

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Empower our People	69



01

Protect the environment

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Packaging design and the circular economy	28



How we protect the environment

We work hard to manage and reduce our environmental impact, increasing environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing circularity in our manufacturing and packaging.

Why does it matter?

A resilient and healthy planet is crucial for sustaining the ingredients and commodities we depend upon. However, the consequences of human consumption and rising demand for energy, land and water are having a major impact on the planet. Action on climate change is vital for the future of society, and it connects many areas of environmental management across the value chain – from energy, water and waste, to ecosystems, biodiversity and the transition towards a circular economy.

Our environmental impact arises from our manufacturing operations, the resources we use for our products and packaging, and their end-of-life management. We consider issues such as biodiversity, packaging and the circular economy, and climate change, as key issues to focus our attention on as we continue to make positive changes.

Our approach

Our strategic approach applies a precautionary principle to managing risks and opportunities

that arise through our direct and indirect operations, ensuring we do not harm the environment or people.

We consider the climate impact of our products, logistics and packaging across the entire value chain, and focus on the areas where we have the greatest opportunity to achieve meaningful change. We also manage the environmental impact of sourcing our raw materials, as we describe in the relevant chapter of this report.

Our key focus areas for managing the direct and indirect impact of our operations are:

- **Climate action:** reducing our carbon footprint by reducing greenhouse gas (GHG) emissions across our operations and value chain, and improving energy efficiency.
- **Water management:** using water responsibly in our production processes, reducing our consumption and managing wastewater discharge.
- **Industrial and food waste:** promoting the transition to a circular economy, where packaging and residuals from manufacturing plants have value and never become sources of pollution.
- **Packaging design and the circular economy:** supporting the transition to a circular economy, where packaging never becomes waste.

The Industrial and Supply Environmental and Energy Policy and Supplier Code set out our commitments to protecting the environment,

supported by detailed operational procedures. Our approach includes complying with local legislation, certifying plants, collecting and monitoring data, and investing in technology to reduce our operational impact.

Our plants and supply-chain logistics agree their own plans in line with corporate guidelines and the local situation. The Central Direzione Operations Sustainability, Environment and Energy (DOSEE) function interacts with local Industrial Sustainability, Environment and Energy (ISEE) and local Supply Chain Development (SCD) managers to encourage engagement, raise awareness, increase capabilities, implement efficiency projects and share best practices. ISEE managers oversee local environmental and energy management and are the focal point for all related activities. SCD managers develop the local supply-chain initiatives for decarbonisation.

We support the transition to a circular economy and are working to design our packaging to be reusable, recyclable or compostable. The Direzione Packaging Unit (DPU) works on our packaging from concept to the shelf. We use a science-based approach to developing our packaging – identifying the right materials to ensure our quality and safety requirements, in a life cycle approach.

We have conducted Life Cycle Assessment (LCA) studies for our main products, including their packaging.



Compliance and certification: ISO 14001 and 50001 Standards

We value transparency across our operations, and full compliance with relevant environmental and energy laws, regulations and site permits. To meet the above objectives relating to environmental protection and energy efficiency, we adopted an environmental and energy management system (EEnMS), based on the internationally recognised ISO 14001 and ISO 50001 standards. By implementing the EEnMS, we promote the prevention of pollution, the efficient use of all materials and natural resources, and the continual improvement of our environmental and energy performance.

At the end of fiscal year 2021/22, 29 sites (including plants, two auxiliary sites in Germany and warehouses directly managed by the Group) were certified according to the ISO 14001 standard, and 22 sites were certified to the ISO 50001 standard. In particular, we included the Alfreton (UK) manufacturing plant in our ISO 50001 certification. We will continue extending the certifications to new sites.

To ensure our ISO management system constantly also meets our Group requirements, we audit all sites regularly.

Managing the impact of acquisitions

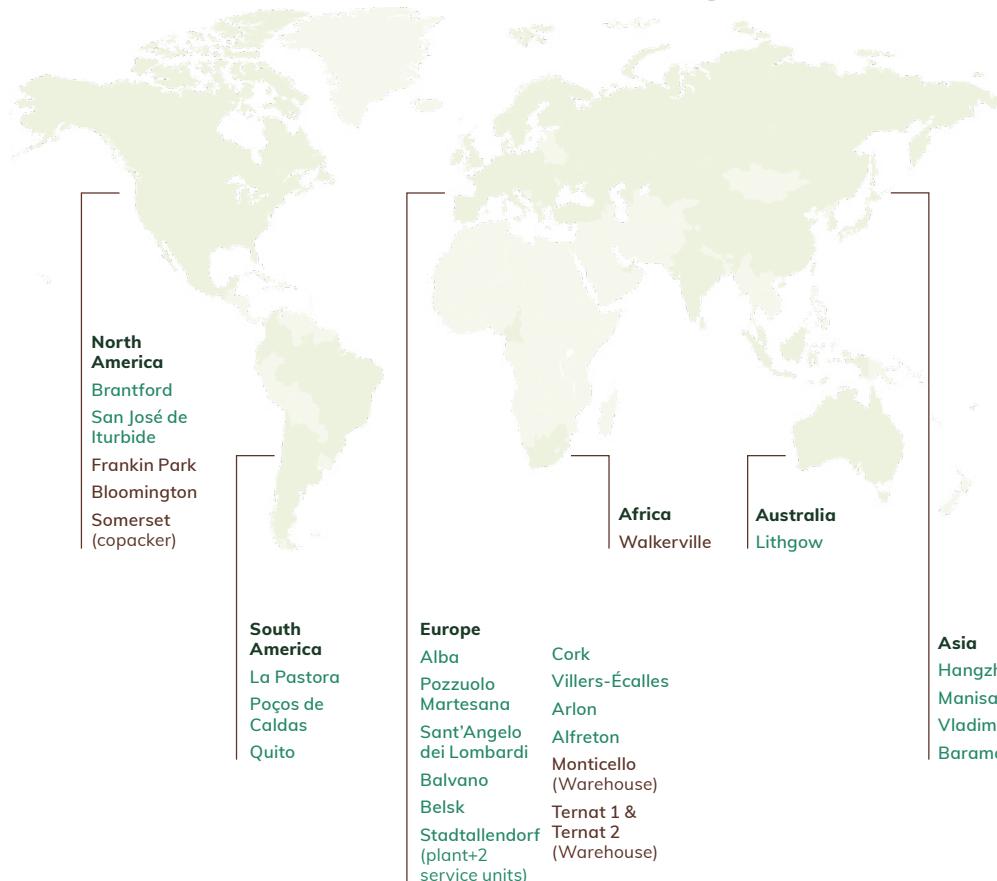
Since 2018, we have added nine plants through acquisition, and are working to include them within the scope of our reporting. Our current scope includes 23 industrial plants and warehouses directly managed by Ferrero¹. Packaging KPIs refer to the same scope of reporting with the addition of North Canton plant. You can find the full list of manufacturing plants on page 7.

1. The following plants are currently excluded from the scope of our environmental reporting: Cameroon – Yaoundé 2005 (Ferrero), US – North Canton 2017 (Fannie May), Louisville 2019 (acquired from Kellogg's), Florence 2019 (Kellogg's), Augusta 2019 (Kellogg's), Chicago 2019 (Kellogg's), Spain – Alzira 2019 (ICFC), Italy – Castel d'Ario 2019 (ICFC), UK – Halstead 2020 (Eat Natural).
2. [Ferrero public statement](#).

In addition, we audit all industrial plants periodically to verify compliance with the four-pillar standard of the SEDEX Members Ethical Trade Audit approach, covering: labour standards, health and safety, environment, and business ethics. This uses best-practice ethical audit techniques, enabling auditors to conduct high-quality audits that encompass all aspects of responsible business practice.

ISO 14001 & ISO 50001
certified sites

22



07

ISO 14001
certified sites

Climate action

Climate change poses an increasing risk along our entire value chain. We have been involved in climate action for decades, and are accelerating our efforts, using science-based targets to reduce our impact. In addition, energy efficiency is fundamental to achieving our carbon-reduction goals and key to our responsible consumption of natural resources.

GHG emissions

As a global business in the food and beverage industry, we play an important role in helping meet the goals of the Paris Agreement to limit average global temperatures.

In 2020, we announced a new set of science-based commitments for 2030, which the Science Based Targets initiative (SBTi) validated in December of that year:

- Reduce Scope 1 and 2 emissions by 50% from a 2018 base year.
- Reduce Scope 1, 2 and 3 emissions intensity by 43% per tonne of product produced, from a 2018 base year.

To achieve the first target, we developed a detailed plan to reduce emissions from our plants, warehouses and main offices. This focuses mainly on measures such as increasing energy efficiency and shifting to renewable energy. Our plan is based on a method and will evolve as local changes (for example, developments in government policy and local availability of renewable energy) influence how we fulfil our commitments.

A method for reducing emissions

Reducing Scope 1 and 2 emissions by 50% by 2030³ is not just a promise. We have a plan to achieve it. Decarbonising our industrial activities requires an in-depth analysis of all available solutions (energy efficiency, biofuels, electrification) and how we can best apply these, rethinking how we operate our factories.

Working with specialists, we have developed a rigorous decarbonisation plan based on technological interventions, structured at both corporate level and factory level.

- At the higher level, our Corporate Climate Change Roadmap makes it possible to identify the main ways to decarbonise all our industrial plants, defining differentiated targets and strategies for each of them.
- At factory level, site-specific studies for each production facility come into play.

The decarbonisation programme for each factory follows three subsequent steps:

01 Initiation:

This aims to identify the best decarbonisation strategy for the facility by analysing the plant's configuration, energy balance, utilities and distribution networks, and simulating potential ways to decarbonise. On-site walk-throughs collect accurate information and check the feasibility of any proposed interventions.

02 Planning:

This stage includes defining measurement campaigns, and collecting and analysing additional data to refine the previous plans,

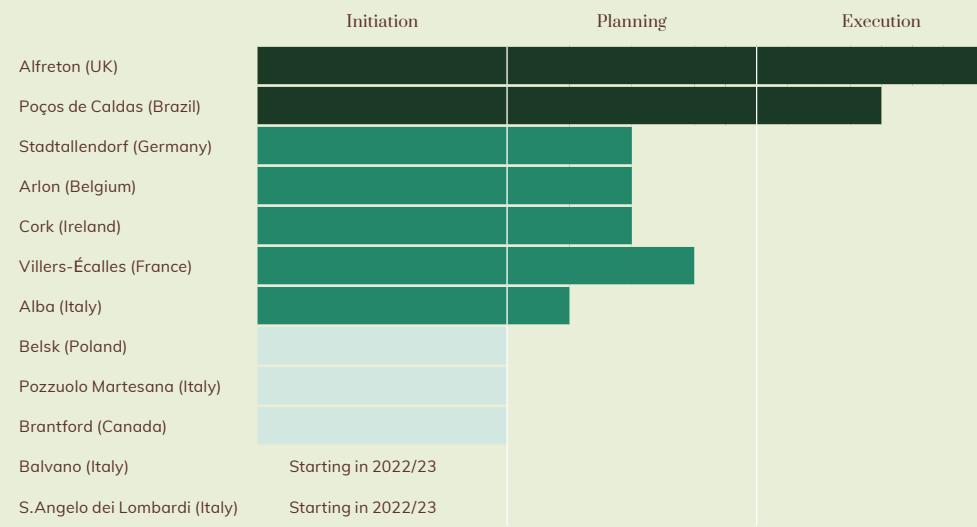
both technically and financially. It involves reviewing technologies, energy providers and other suppliers.

03 Execution:

The third step is implementation, covering design, authorisation, purchasing and commissioning.

The entire process can last from three to five years and is underway for several production plants.

3. From a 2018 base year.



Case study

Poços de Caldas decarbonisation project

Considering the abundance of renewable electricity and the convenient ratio between electricity and natural gas prices in Brazil, Poços de Caldas was selected as the first Ferrero plant to implement the strategy to electrify the heat. It means replacing the traditional natural-gas boilers that produce steam and hot water, with electric boilers and heat pumps, which can produce the same energy in a more efficient way, as well as using renewable electricity. In addition, an electric roaster replaces a traditional gas roaster. Once completed this will allow the site to save about 2,900 tCO₂eq Scope 1 a year (about 95% of the current figure). Despite this, the initial reduction is small compared to the whole target, but it is an important pilot as we can then extend the strategy to other plants.

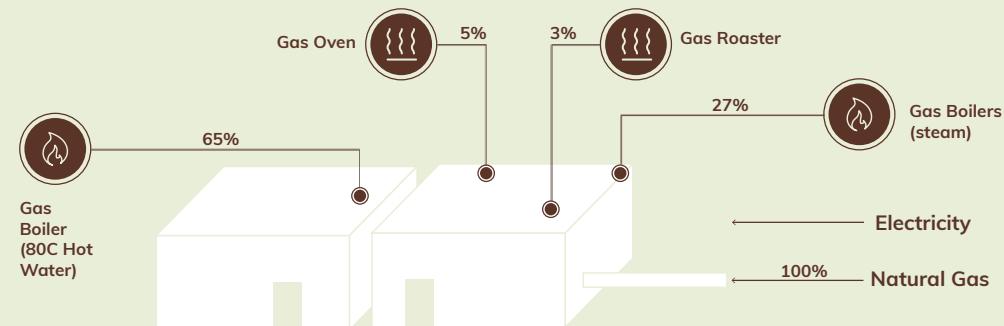
2,900 tCO₂eq

GHG Scope 1 emissions saved per year

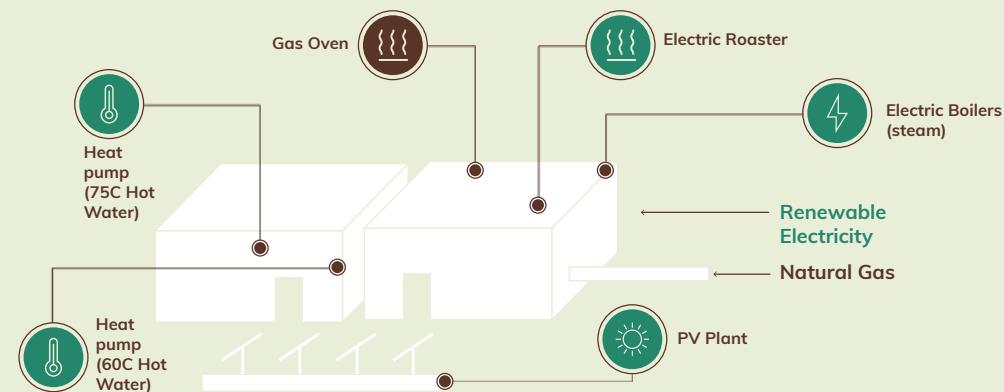
Following the electric roaster, in November 2022, the first two heat pumps have been installed, to replace two natural gas boilers to produce hot water for the factory process. The second step of the project has been approved and started, and this includes a high-pressure steam-electric boiler, a photovoltaic plant to increase on-site renewable electricity production, and upgrading the electrical connection to allow renewable electricity from the grid. The third and final stage will include two more heat pumps for hot water and another electric boiler to produce medium-pressure steam.



Before the decarbonisation process



After the decarbonisation process



Climate action (continued)

To achieve our second climate target of reducing Scope 1, 2 and 3 emissions intensity by 43% per tonne of product produced, using 2018 as base year, we are working with our suppliers to reduce emissions and develop solutions with a lower carbon impact. We aim to optimise supply-chain logistics while supporting the continued growth in quantity and size of shipments to the market. Our strategy focuses on optimising the network, decarbonising fleets and shifting to varied freight solutions. At our distribution centres, opportunities include renewable and efficient energy use, and internal and network optimisation. Our regional operations set local reduction targets for transport and warehousing.

We are rolling out a digitalisation project on the full scope of our logistics activities and are collecting information on transport and warehousing. Through this, we aim to improve our reporting and alignment with the [Global Logistic Emissions Council \(GLEC\)](#) standard and evaluate our efforts towards continuous improvement.

We measure our total carbon footprint to identify the impact of our activities and the areas offering the greatest opportunity to reduce our emissions.

Scope 1

To meet our 2030 target, our approach focuses on reducing emissions from our operations, where we have the most control. We are investing in energy-efficient technologies, increasing the production of on-site renewable energy, improving energy efficiency and aiming to use alternative sustainable fuels to generate energy.

Scope 2

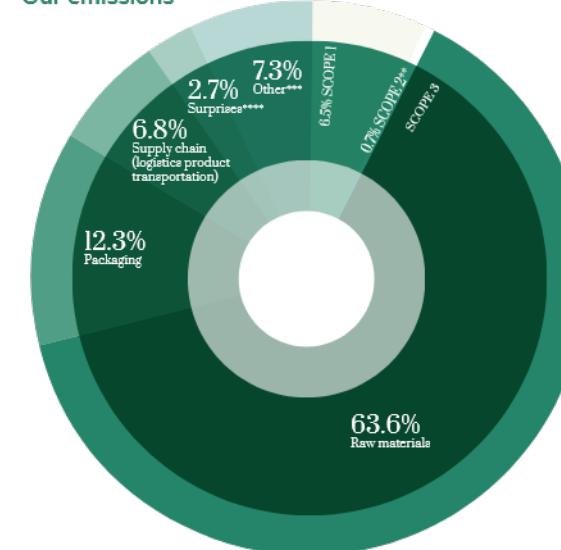
These are the indirect emissions arising from purchased electricity, heat and steam, which we can reduce in line with our 2030 target. We continue to increase the amount of renewable electricity our factories buy through green certification mechanisms and, where feasible, Power Purchase Agreements (PPAs).

Scope 3

These are where we have only indirect responsibility across our value chain, including raw materials and packaging, and account for 93% of our total carbon footprint. Because we do not have direct control, and they involve many stakeholders, addressing this part of our carbon footprint is the most challenging. It will involve rethinking products and packaging, and engaging with suppliers in reducing emissions. Our current focus is to understand our suppliers' climate commitments and emissions, to establish a baseline for future activities.

Climate-change decarbonisation impact evaluations, and improvements in logistics, require measuring and monitoring the climate impact of all shipments made through the value chain. During fiscal year 2021/22, we further developed and implemented the project to understand the impact of logistics on our corporate carbon footprint. This applies the GLEC Framework standard methodology thanks to a GLEC-certified monitoring and calculation platform (GreenRouter). The tool demonstrates lessons to evaluate and improve our impact on specific shipments and transport flows – helping us to size, prioritise and stimulate field project developments.

Our emissions*



* The total may not be exactly 100% due to rounding.

** Market-based Scope 2 emissions.

*** Employee Travel – Waste and auxiliary products – Capital goods – Leased assets – Downstream transportation and distribution – End-of-life treatment of solid products.

**** Emissions are linked to production hubs that deliver KINDER® Surprise products to Ferrero plants, including materials, moulds and transport of the Surprises.

Emissions ⁴	Unit	FY 2019/20	FY 2020/21	FY 2021/22
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	tCO ₂ eq	6,724,057	7,007,128	7,318,172
GWP Scope 1 Emissions – Total emissions	tCO ₂ eq	480,351	477,071	477,243
GWP Scope 2 Emissions – Market based	tCO ₂ eq	111,144	88,599	52,256
GWP Scope 2 Emissions – Location based	tCO ₂ eq	288,391	305,683	331,049
GWP Scope 3 Emissions – Total emissions	tCO ₂ eq	6,132,562	6,441,458	6,788,673

4. The emission factors used for the GHG emissions calculation are the same as used in fiscal year 2020/2021.

What have we achieved?

Our Scope 1, 2 and 3 emissions increased to 7,318,172, while our intensity ratio has slightly decreased to 5.02 tCO₂eq per tonne produced in fiscal year 2021/22. This is related to our production growth of 6% and increase of mobility intensity after the Covid-19 pandemic.

Our positive impact was due to our decarbonisation programme and our investment in renewable electricity. This resulted in direct Scope 1 emissions remaining almost constant in absolute value, while our Scope 2 emissions significantly decreased by 41%.

Sustainable transport models

Specific material and product flows can be modelled and measured for their CO₂eq emissions impact. Thanks to the availability of detailed information on shipments by road, sea and train, we can simulate and evaluate specific improvements – such as increased efficiency or use of alternative fuels – so we can decide on network set-up, optimising loads, and transport modes. In one case, we were able to model transportation options for a new product to lower the climate impact by 48%. The approach helped our stakeholders make improvements. Generally speaking, it will allow us to find opportunities to reduce the carbon footprint along our supply chain in the coming years.

Energy efficiency

Energy-efficiency projects are fundamental to working simultaneously on climate goals and energy-supply security. In addition, during fiscal year 2021/22, we have seen a progressive increase in energy costs, which has resulted in the current energy crisis. One of the first and best tools used to decrease the impact of the energy crisis and mitigate its effects has been energy efficiency. We develop an energy-efficiency culture and spread it through awareness, energy audits and technical studies.

Energy efficiency in our operations

Our factories set local annual targets to improve energy efficiency, and monitor their results. Reducing energy consumption means working on two fronts: making technical changes while improving individual behaviour and awareness. During this fiscal year we have run many projects:

- Installing heat-recovery systems.
- Checking thermal piping insulation and steam traps.
- Installing LED lighting.
- Replacing and improving refrigeration and air-compressor units.
- Installing high-efficiency motors and inverters.
- Fixing compressed-air leaks.

In addition, during fiscal year 2021/22 the Alfreton plant in the UK joined the pool of plants certified ISO 50001. This ISO certification reinforces our training and awareness activities, and promotes sensible energy use and sharing of best practice among plants.

What have we achieved?

In fiscal year 2021/22, we decreased our energy-intensity ratio to 7.41 GJ per tonne of product, and we confirmed a central capital expenditure programme for reducing our carbon footprint.

In addition, our total renewable energy consumption resulted to 23.8%⁵.

We have targeted investments towards increasing the production of on-site renewable energy and using alternative sustainable fuels.

This year we have commissioned a 0,25 MW photovoltaic plant (Phase IV) at Baramati (India) and a new 1 MW photovoltaic plant is under completion in Stadtallendorf (Germany). Other photovoltaic plants are expected to be installed in the next few years at Baramati (India), Belsk (Poland), Poços de Caldas (Brazil) and Alzira (Spain) with the scope to increase the on-site renewable electricity production across our plants.

We extended our renewable-energy purchases for Baramati (India) and San José (Mexico). At the end of fiscal year 2021/22, 18 of our plants used 100% renewable electricity from the grid, accounting for around 92% of the electricity we purchased for all our manufacturing sites worldwide⁶.

5. Considering the manufacturing sites.
6. We considered the perimeter of 2020/2021. ICFC plants (Alzira and Castel d'Ario) are out of the scope of this report and not included in the 18 plants. Both plants purchased 100% renewable electricity.

 18
Plants

100%
Renewable electricity from the grid

92%
Accounting for around 92% of the electricity we purchased for all our manufacturing sites worldwide



Energy	Unit	2020/21 (Full scope)	2021/22 (Full scope)	2021/22 (Manufacturing plants only)
Renewable energy consumption	%	23.00%	23.59%	23.79%
Purchased electric energy certified renewable	%	80.22%	88.69%	92.82%
Energy intensity ratio	GJ/t	7.8	7.4	7.3

Water management

Water sustains life, and secure access to healthy, clean water is a basic human right. We recognise the importance of ensuring the availability of water, and managing it sustainably. We are developing our business in a way that enables effective water stewardship, by ensuring our operations make efficient use of water.

Our long-term success depends on our responsible approach in the areas where we source our raw materials and locate our factories, and where our stakeholders live. This means avoiding adverse effects on local ecosystems and communities. While our products are not water-intensive, our operations require a steady supply of water for processes such as cooling and washing.

With climate change increasing pressure on water resources, especially in water-stressed areas, we use water efficiently, in line with our Group's long-term view on water stewardship. Our factories set local targets for water consumption and develop projects for water-saving and reuse.

Water consumption

We began carrying out water audits at our plants in 2018, to identify opportunities to improve and create efficiencies. Since then, we have been performing water audits in our facilities and we plan to complete the process

for the most significant production plants by the end of next year.

Working with the Polytechnic University of Turin in Italy, we developed a water-scarcity risk assessment for all plants, which we have used repeatedly, and improved to include more detail. The assessment has been renewed for the current year, including the new sites acquired by the Group. Based on the last assessment results, we identified five production plants as high priority regarding water scarcity.

Wastewater treatment

We guarantee the quality of the wastewater coming from our operations through treatment plants – either municipal or our own. In building or upgrading our treatment plants, we apply the best available technologies and evaluate the possible reuse of water. In each case, we improve washing processes, use more ecological products, and introduce this approach to our suppliers.

Reuse and recycling

We continue to investigate and promote opportunities for water recycling and reuse within our production and utilities processes. For example, when replacing cooling towers, a major use of water in our factories, we evaluate options such as dry or adiabatic technologies (where no heat is transferred) that pre-cool incoming air and reduce water consumption. Where we use wet-cooling towers, we install treatments such as softening and reverse osmosis to enable water reuse.

Case study

Water-saving monitoring system in the Belsk plant

The factory has launched a project to extend and upgrade the water-use measuring system for particular areas in the plant. We have replaced manual readings with a remote system, managed 24/7. This helps us detect any leaks or malfunctions of the water installations without delays reducing the factory's water consumption. Additional meters connected to the remote system alongside a significant reduction in boiler-room water consumption and rainwater collection, have allowed the plant to reduce water consumption by about 9.2% on the previous year.



9.2%

Reduced water consumption
in the Belsk Plant

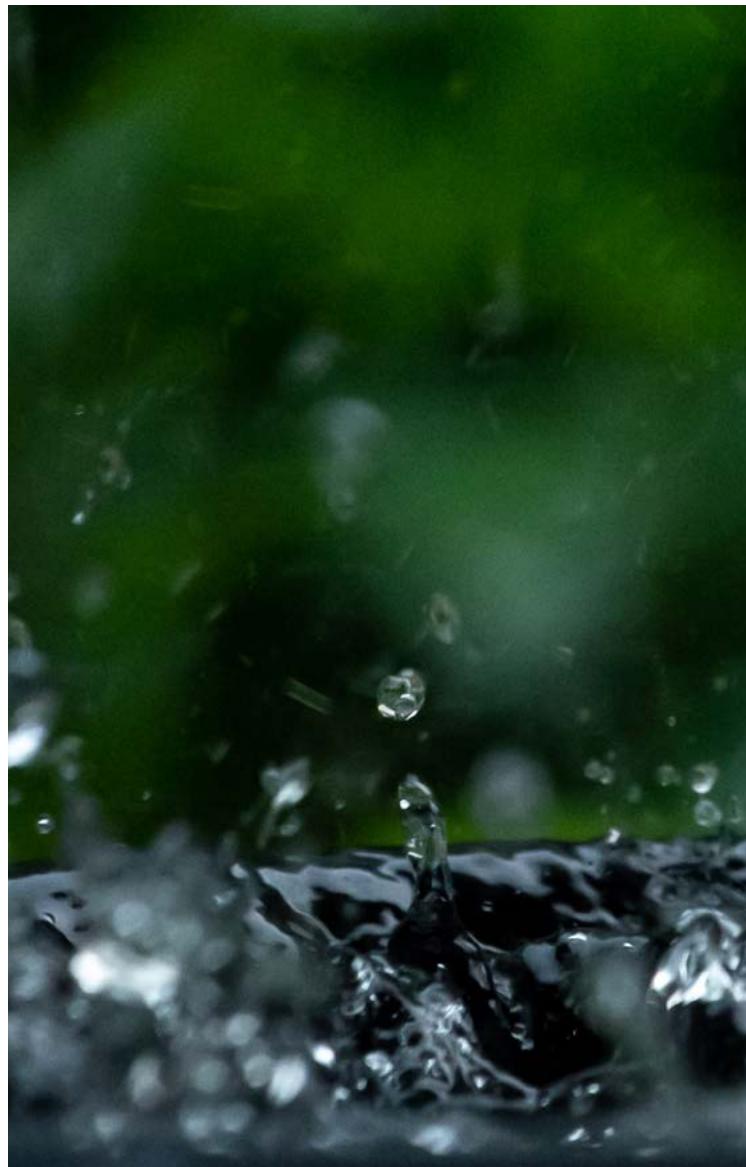


What have we achieved?

Our global water consumption ratio for fiscal year 2021/22 was 3.7 m³ per tonne of product. Water intensity decreased by 3.8% from the previous year. Our wastewater discharge for fiscal year 2021/22 decreased 3.3% from the previous year, mainly due to constant improvements in our internal wastewater treatment plants and a reduction in water consumption.

Water consumption ratio m ³ /t			Water consumption m ³			Wastewater m ³		
FY 2020/21 (Full scope)	FY 2021/22 (Full scope)	FY 2021/22 (Manufacturing plants only)	FY 2020/21 (Full scope)	FY 2021/22 (Full scope)	FY 2021/22 (Manufacturing plants only)	FY 2020/21 (Full scope)	FY 2021/22 (Full scope)	FY 2021/22 (Manufacturing plants only)
3.9	3.7	3.7	5,293,591	5,396,500	5,359,626	3,231,475	3,126,139	3,091,079

Water	Unit	FY 2020/21 (Full Scope)	FY 2021/22 (Full Scope)	FY 2021/22 (Manufacturing plants only)
Water consumption	(m ³)	5,293,591	5,396,500	5,359,626
Wastewater	(m ³)	3,231,475	3,126,139	3,091,079
Water consumption ratio	(m ³ /t)	3.9	3.7	3.7



Industrial and food waste

Waste management is a global issue with a local impact, and with cost implications for our business. We adopt a circular-economy perspective in our waste management, considering waste materials as valuable resources that must maintain their value for as long as possible. We apply the waste-management hierarchy, preferring prevention, reduction, reuse and recycling in our operations.

Our main waste streams arising from industrial activities are paper and cardboard, plastic, and organic waste. Our production plants cooperate with local suppliers responsible for waste management, to seek the most sustainable and achievable end of life and to achieve local targets set for waste reduction.

All waste generated by our activities is managed by authorised third parties, complying with contractual and legislative requirements. In addition, we are constantly exploring new ways of using our waste materials, working with suppliers and other industry sectors – for example, by upgrading waste materials to by-products with value in other fields. Our plants, also periodically carry out audits at our main waste-management suppliers and encourage continuous improvement.

To better evaluate the impact related to our waste management, during fiscal year 2021/22 we launched a project to improve

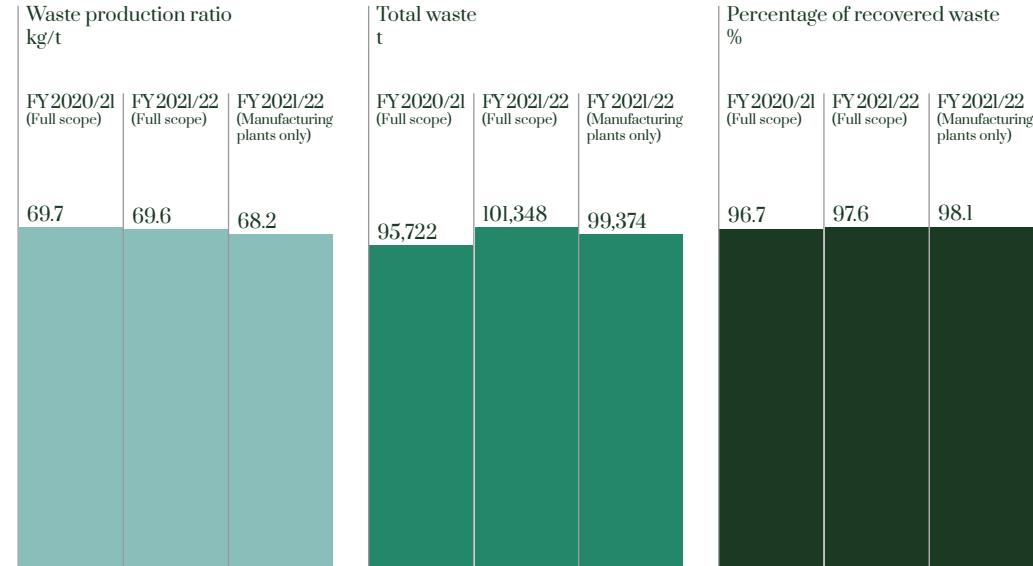
reporting and collection of waste data, which we will further develop during 2022/23 and apply in the following year.

What have we achieved?

Looking only at our manufacturing sites, the waste ratio remained stable from 68.3 kg/tonne in FY 2020/21, to 68.2 kg/tonne in fiscal year 2021/22. Even though the result was negatively influenced by some events like the temporary closure of Arlon plant (see page 60), we were able to maintain the same efficiency per tonne production due to the continued improvement activities within production plants, such as efficiency improvements on production lines and increased reuse of wooden pallets and cardboard, as well as upcycle previous waste materials into by-products, where local legislation allowed us.

One of the main negative influences was due to the extraordinary elimination of products in the Arlon plant. In some cases, local legislation allowed us to upcycle previous waste materials into by-products.

Our waste-recovery rate kept improving. We achieved this through better waste segregation at our plants and by working with suppliers to find more-sustainable treatment solutions. 11 of our production plants reached a waste-recovery rate higher than 99%: Baramati (India), Bloomington (USA), Cork (Ireland), Hangzhou (China), Manisa (Turkey), Villers-Écalles (France), Alfreton (UK), Arlon (Belgium), Poços de Caldas (Brazil), Quito (Ecuador), Stadtallendorf (Germany).



Waste	Unit	FY 2020/21 (Full Scope)	FY 2021/22 (Full Scope)	FY 2021/22 (Manufacturing plants only)
Total waste	t	95,722	101,348	99,374
Percentage of recovered waste	%	96.7	97.6	98.1
Waste production ratio	kg/t	69.7	69.6	68.2

Case study

Circular economy project in the Alba plant

Requalifying coffee residue, historically managed as waste, is one of the first circular economy projects developed by the Alba plant. Working with an external partner, we have identified the possibility of mixing our processing waste with a polymeric matrix, to create a new raw material for bioplastic items.



The project, which started formally in February 2022, will guarantee the reduction of around 500 tonnes of waste a year. Given the seasonality of the coffee roasting function, we have already achieved a reduction of 118 tonnes of waste in the year 2021/22.

500 tonnes

Guaranteed reduction
of waste a year

118 tonnes

Waste reduction 2021/22



Packaging design and the circular economy

The contribution we can make through packaging is key to reducing the impact of our products and our Company have on the environment. We are conscious of the impact we may have on the planet, and we address our consumers' expectations regarding sustainable packaging, safety and quality of our products.

Our ambition, and the most important challenge for packaging today, is to increase the circularity of the materials we use, considering other relevant aspects – we aim to optimise our packaging material volumes, minimise the use of resources, and reduce the overall carbon footprint and food waste. To better contribute to packaging circularity, we are focusing on designing (and, where necessary, on re-designing) all of our packaging to be recyclable, reusable or compostable. We currently stand at 88.5% of this target. Additionally, we are working to reduce the use of virgin plastic by 10%⁷ and to boost the use of post-consumer recycled content in plastic packaging, toward a 12%⁸ goal for overall plastic packaging.

Ferrero has faced unexpected and extraordinary challenges during the past months, including, among other constraints, shortages of raw materials and packaging equipment components. On top of this, we note that the infrastructure necessary to handle waste as a resource is still underdeveloped or at an early stage in several areas of the world⁹.

Specifically:

- Countries with low volumes of mismanaged packaging waste, and advanced waste management systems (those having mandatory Extended Producer Responsibility schemes, EPR).
- Countries with low volumes of mismanaged packaging waste, but less advanced waste management systems (those having emerging, limited or voluntary EPR).
- Countries with high volumes of mismanaged packaging waste and limited/no waste management systems (those having no, or limited, EPR).

Even in jurisdictions with mandatory EPR schemes, with advanced waste-management systems, the capacity of collecting, sorting and recycling is not sufficient to meet market or value chain needs. From this year onwards, we will be disclosing the percentage of packaging already designed for recycling (designed and manufactured according to existing design-for-recycling guidelines¹⁰).

7. 10% by weight versus our 2019/20 baseline.
8. 12% by weight on the 2025/26 plastic packaging overall volume.
9. Ellen MacArthur Foundation, [Flexible packaging: The urgent actions needed to deliver circular economy solutions](#).
10. E.g. Golden Design Rules, coordinated by the Consumer Goods Forum. Design guidelines developed by RecyClass, the Association of Plastics Recyclers, CEFLEX and 4evergreen, where we are active contributors in technical committees.

Partnerships and collaborations



In collaborations with:

- 01 Ellen MacArthur Foundation (EMF), Consumer Goods Forum and the Circular Plastics Alliance
- 02 Consumer Goods Forum, Association of Plastics Recyclers (APR), CEFLEX, RecyClass, 4evergreen
- 03 European Brands Association (AIM), working on harmonisation of waste disposal instructions
- 04 Ellen MacArthur Foundation (EMF), Flexible Packaging Initiative (FPI), Consumer Goods Forum and The Recycling Partnership
- 05 Holy Grail 2.0 project, Perfect Sorting Consortium and The Recycling Partnership

Our roadmap for sustainable packaging

While there are positive improvements in circularity, change is taking longer than expected due to the complexity of the current systems. The Ellen MacArthur Foundation's (EMF) Global Commitment 2022 Progress Report¹¹ showed that the signatories have achieved good progress on recyclability, reusability and compostability, as well as on plastic recycled content, which doubled in the last three years. For some specific packaging formats, unprecedented efforts must still be made towards full circularity. For instance, we focus on thermoformed polyethylene terephthalate (PET) and flexible packaging. It is not due to a lack of ambition, but merely a consequence of the complexity and effort required to disrupt a well-established linear economy, optimised over past decades.

We remain committed to all our packaging goals. Our investment plan is in place and progressing. We have updated projects that are on track to meet our commitments as well as projects where waste-management infrastructure is essential to achieve the goals. With innovation, redesign, partnerships and collaborations, and advocacy for efficient country EPR schemes, we have identified clear steps to 2025 and beyond. We have selected our partners accordingly to fill the gaps in our packaging circularity.

11. [The Global Commitment 2022](#).

Main milestones in Ferrero's sustainability packaging

2019

October 2019, Ferrero made a bold commitment to more-sustainable packaging and signed the Global Commitment for a New Plastics Economy with the EMF. The main objective was to make all packaging recyclable or compostable "reusable in practice and scale" by 2025.

2021

Aligned with the overall commitment signed in 2019, Ferrero reinforced its position in 2021, by signing the CGF Golden Design Rules with focus on plastic packaging. The design for recycling (D4R) concept was introduced as precursor of recyclability happening in practice and at scale.

Designing packaging to be recyclable, as a new metric to measure progress, is quite important, as it enables companies to show progress on efforts taken to better design their packaging that is not immediately reflected in recyclability "in practice and at scale".

2022

As noted in the EMF 2022 Global Progress Report, most signatories of the Global Commitment for the New Plastics Economy are facing challenges and some of the key targets are not likely to be met by 2025. These challenges also apply to Ferrero as a signatory to the Global Commitment.

This is why Ferrero currently works both on the design of packaging to be recyclable, reusable or compostable, and at the same time to support the acceleration of infrastructure development by partnering with value-chain partners and advocating for efficient country EPR schemes, and supporting the vision of a legally binding *Global Plastic Treaty*. This is ultimately to reach the objective in practice and scale, but in the meantime, progress is also tracked through the D4R approach.

2022

Ferrero reporting on progress towards designing all packaging to be reusable, recyclable or compostable

2021

Ferrero commitment to reduce the use of virgin plastic and to boost the use of post-consumer recycled content in plastic packaging

2019

Ferrero commitment to make all packaging recyclable, reusable or compostable by 2025

For more information:

[The EMF Global Commitment for a New Plastics Economy](#)

[CGF Golden Design Rules](#)

[The EMF 2022 Global Progress Report](#)

[UN Global Plastic Treaty](#)



Packaging design and the circular economy (continued)

Ferrero believes it is possible to achieve significant results by 2025 and shape our collective ambitions for the full transition to a circular economy. In the past years, we have consistently invested in new packaging lines, several new pack trials across our plants, and collaborations with suppliers to fine-tune design or equipment to allow industrialisation. Since 2019, for our most important projects, we have:

- performed around 250 tests in our plants to assess the functionality of new pack designs and identify the final solutions to industrialised.
- engaged and collaborated with more than 20 raw-material suppliers or packaging producers on new R&D streams, strengthening supplier relations.
- tested more than 15,000 km of flexible packaging to fit designed-for-recycling structures in existing packaging production lines.
- developed and tested more than 100 new pack design options to find the ones that best meet requirements for transparency, quality and mechanical performance for new Rocher boxes.
- reduced 3,800 tonnes of plastic with our new pack designs.

We have also consistently applied the design-for-recycling principles to our packaging. As an outstanding example, the new Ferrero Rocher 24-piece gift boxes will be made of rigid polypropylene (PP) (easier to recycle compared to previous material) using 40% less plastic than the previous box, with a design aligned to the main design guidelines.

We are directly involved in supporting the change we want, taking action both within (e.g. designing or redesigning our packs), and outside of packaging design, working with value-chain partners to improve recycling, and advocating with policy makers to create the enabling conditions for the right EPR schemes to fund collection, sorting and recycling of packaging.

We are currently developing projects that will allow us to explore opportunities beyond recycling, such as looking at ways to reduce pressure on the system and reduce leakage in places where “in practice and at scale” may be a longer-term reality.



Our roadmap to 2025 & beyond

01

R&D and
open innovation:

Innovation has an important role to play along the entire value chain: from the materials we choose, to the end of life for packaging. Our R&D teams and leading-edge suppliers are developing the ideas and technology to help us address the issues, and we will continue to invest in opportunities to improve our packaging circularity. We are looking to develop improved materials, to use recycled content in plastic packaging, to explore and test new compostable materials as well as paper-based packaging with barrier properties.

⋮ Read the case study on page 31

02

Existing packaging
development and redesign:

Evolving our packaging to be designed for recyclability, compostability and reusability through alternative materials and packaging redesign.

⋮ Read the case study on page 33

03

Working with recyclers
and national waste
management systems:

Developing solutions for hard-to-recycle materials and looking into opportunities to use packaging waste as a resource.

⋮ Read the case study on page 33

04

Educating consumers for
a successful transition to a
circular economy and to
eliminate waste:

Using the power of our brands to share knowledge and tools, offering recycling tips, upcycling opportunities and clear end-of-life information on recyclability or compostability or reusability of our packaging.

⋮ Read the case study on page 34

R&D and open innovation

Recycled content in plastic packaging

Ferrero has set an ambitious target to use 100% rPET in the Estathé bottles range.

We have identified recycled resins meeting the necessary quality and safety requirements, which also fulfil our stringent guidelines and perform on industrial lines.

Thanks to the use of rPET, Estathé reduces the use of virgin PET by more than 3,200 tonnes per year (considering 33 cl, 40 cl and 1.5 l PET bottles) and further supports the circularity of PET bottles.

[See more](#)



Recycled plastic challenge

The low availability of high-quality post-consumer recycled plastics safe for use in food packaging is a major limit to large-scale implementation of circularity in reducing plastic and virgin materials. Mechanical recycling is currently the most common way to recycle plastic. However, not all plastics recycled in this way meet quality requirements for closed-loop applications: i.e. from packaging to packaging.

The most common and well established closed-loop recycling system for food-contact plastics is PET used in beverage bottles. We use 100% recycled PET (rPET) in our Estathé range¹² promoting circularity of this valuable material. We cannot do the same for other applications as not all of the recycled plastics are able to meet food-safety standards. Nonetheless, alternative recycling technologies to mechanical recycling may help. Pyrolysis and depolymerisation processes are often

classified under the definition of chemical recycling (also called advanced recycling¹³). These processes can support the use of post-consumer recycled plastic back into food-contact applications. We are exploring this opportunity and working with relevant stakeholders on these complementary recycling methods. We endorse the CGF Vision for Advanced Recycling in a Circular Economy for Plastics¹⁴ and confirm our interest in the development of credible, safe and environmentally sound chemical recycling infrastructure. As an example, we are piloting the use of chemically recycled PP (rPP) in our Tic Tac boxes.

The post-consumer recycled plastic obtained from chemical recycling is allocated through a mass-balance approach: this means both virgin (fossil or bio-based) and recycled feedstock are fed into the plastic production process, keeping track of the individual input quantities. The proportion of recycled raw materials used

in the production of the plastic material can then be mathematically allocated to final product through a certification scheme. The mass-balance approach is the same as the well-known methodology used within the energy sector for electricity coming from renewable sources.

The mass-balance approach is a crucial bridge from linear to circular economy for plastic. It helps us support sustainable sourcing of recycled or renewable raw material and save virgin resources.

12. Caps and label are not made of PET and do not contain recycled plastics.
13. The terms 'chemical recycling', 'advanced recycling', 'advanced chemical recycling' and 'enhanced recycling' are interchangeable.
14. PW-Chemical-Recycling-Vision-and-Principles-Paper-July-2022.pdf (theconsumergoodsforum.com)

Packaging design and the circular economy (continued)



In 2022, the Ferrero Cork plant achieved ISCC PLUS certification¹⁵ to pilot the mass-balance approach for recycled plastic from chemical recycling.

The International Sustainability and Carbon Certification (ISCC) is the system Ferrero, as well as other companies, uses for certifying recycled materials obtained through the mass-balance approach. The ISCC chain-of-custody certification approach implies that every element along the supply chain is either ISCC certified or ISCC licensed. The scheme offers transparent traceability across the entire supply chain and allows us to trace the proportion of recycled raw materials to the final plastic component. This allows us to measure the proportion of recycled materials in support of our claims.

Our first pilot in chemically recycled plastic from mass-balance adoption in plastic packaging is with the Tic Tac brand. Tic Tac is using 50% recycled plastic (based on mass balance) for the Tic Tac 200-pill box in our Cork plant.

[See more](#)



15. ISCC Works Towards a Sustainable World.
16. Ellen MacArthur Foundation, [Flexible packaging: The urgent actions needed to deliver circular economy solutions](#).
17. Our mono-material films are in line with the Ceflex design for circular economy guidelines (The Circular Economy for Flexible Packaging (CEFLEX) initiative <https://guidelines.ceflex.eu/resources/>).
18. Figures based on January–December 2021 volumes of K. Brioss, K. Colazione Piu, K. Pan e Cioc e K. Délice. See more info [here](#).

Existing packaging development and redesign

We continue to follow the evolution of sorting and recycling infrastructure and technology, to build in-depth knowledge and hands-on experience about how design can make an impact on our packaging circularity. Since 2019, we have reached some important targets on rigid plastics as well as in flexible packaging.

In September 2021, Ferrero Rocher launched [new eco-designed PP boxes](#). Once implemented across the entire Ferrero Rocher portfolio, the new box design will save an estimated 10,000 tonnes of plastic.

Flexible packaging, on the other hand, is generally linked to low recycling and high leakage rates. These elements contribute to classifying flexible packaging as the most challenging market segment to address on the journey towards a circular economy for plastics¹⁶.

In this context, we contribute to the circularity of packaging through eco-design: flexible films were redesigned, moving from non-recyclable multi-material to mono-material structures, following to the most recognised design-for-recycling guidelines¹⁷.

We have now designed more than 120,000 km of flexible films to be recyclable, following this approach. Examples are the flexible films used for Tronky, Kinder Cards and Kinder Happy Hippo. This enables the recycling process, where infrastructures for collection, sorting and recycling already exists.

We are approaching paper-based flexible packaging, where this provides improvements in the collection and recycling rate, as well as a saving in virgin plastic. For instance, the Kinder bakery range, including Kinder Délice and Kinder Brioss in Italy, has moved to a paper-based external wrapper. The packaging is designed for recycling in standard paper recycling mills and allows a yearly plastic reduction of 300 tonnes¹⁸.



Flexible Packaging Initiative as part of our strategy to fill in gaps in film circularity.

Ferrero recently joined the [Flexible Packaging Initiative](#), where the six brand owners have agreed to increase investment and provide support for a series of public policy interventions to accelerate the transition toward a circular economy for flexible packaging across Europe.

Participants to the initiative are committed to working with partners and governmental bodies to improve infrastructure and go beyond individual packaging design efforts, by providing concrete proposals to help enable effective collection, improved sorting and innovative recycling of [flexible packaging across Europe](#).

Circularity of flexible packaging needs complementary technologies to be further developed and the mass-balance approach as a bridge from a linear to a circular system.

Even where infrastructure for collection, sorting and recycling is not fully developed, it is crucial to have flexible films that are technically recyclable, that is, designed according to design-for-recycling guidelines. This will ensure these films can enter a waste-management system, feeding a valuable mono-material stream, as soon as the collection infrastructure is in place.

To be part of the change, we have recently joined the Flexible Packaging Initiative (FPI) to further focus on the need for action on this circularity gap.

Partnering with recyclers and national waste-management systems:

To support waste-management improvements proactively, we are investing in R&D projects with peers to upgrade current sorting and recycling technologies. In detail, we collaborate with brand owners, researchers and technicians to:

1. develop artificial intelligence (AI) models to enhance the efficiency of the sorting process
2. update and improve sorting and recycling technologies for plastic packaging.

Perfect Sorting and The Recycling Partnership projects to boost circularity of plastic packaging

The need to improve sorting of packaging for better quality and increased quantities is part of the Ferrero vision and strategy to boost the availability of high-quality recycled plastics. Circularity of plastic packaging is developing at different speeds and with different geographical coverage. We're focusing on different areas with a dedicated approach.



PERFECT SORTING CONSORTIUM

In Europe, Ferrero is a founding member of the Perfect Sorting consortium,¹⁹ together with other eight brand owners, an independent 'test and research' centre and two universities. The project aims to improve sorting of packaging waste by using AI. The goal is to develop an AI decision model to detect, identify and classify packaging beyond the current sorting streams. An AI decision model can help properly separate post-consumer waste, such as food and non-food packaging, and allow recycled raw materials to meet the specifications required to be used again for food-grade applications within a circular economy. These steps are necessary for recycling flexible, multi-material packaging. Collaboration among peers and organisations along the value chain, and across regions, is key to dealing with common challenges. The Perfect Sorting Consortium aims to make the AI decision model widely available for use in sorting plants in Europe in the coming years.



In May 2022, Ferrero joined The Recycling Partnership in an effort to increase recycling access and collection, legislative advocacy, consumer research and education, analytic tools with the national database and infrastructure investment in the United States. Within the partnership, we have joined the Polypropylene Recycling Coalition to take the lead in boosting rigid PP packaging collection and recycling.

The coalition focuses on increasing education and access for people to recycle rigid PP packaging through kerb-side collection programmes, ensuring more recycling processing facilities can sort the material successfully, and stimulating a robust end-market of high-quality recycled polypropylene for reuse in packaging.

Since the launch of the Polypropylene Recycling Coalition, in 2020, its grants have proven highly successful at rapidly affecting the recycling system. The Coalition has awarded multiple grants, improving PP recycling for nearly 8% of all US households and improving recycling for 20 million people in the United States²⁰.

19. [Perfect Sorting Consortium: Assessing the future of packaging waste sorting \(ntp.nl\)](#)

20. [Polypropylene Recycling Coalition](#)

Packaging design and the circular economy (continued)

Educating consumers for a successful transition to a circular economy

Consumers play a key role in improving circularity of packaging, so we:

1. strive to inform them about packaging materials and how to sort them correctly
2. aim to play a relevant and educational role in sharing knowledge and tools, so everyone can contribute to the transition towards a circular economy.

In this context, our end-use labels clearly inform consumers about which material the packaging is made of, so it can be easily collected after use.

Digitalisation

Ferrero consumers can find sorting information directly on our packaging or on our website. We are carrying out Kinder QR code pilots in Italy, France and Germany. Other Kinder products will soon use QR codes for customers to access specific sorting instructions according to the local waste-management system. We are always evaluating whether to join similar existing projects in other regions.



Kinder QR code for
Kinder Chocolate

Engaging our employees

Ferrero employees are part of our environmental commitment. Ferrero Germany has developed a digital tool to communicate information about its packaging and other environmental commitments within the company.

The content, easily available on a phone app, reflects three key building blocks of Ferrero's environmental commitment: packaging; CO₂ and climate; and waste and water management. The tool provides our German colleagues with compact, easy-to-understand answers to ten central questions in each case. It has been available to all Ferrero employees in Germany since November 2022.



Packaging materials we use

Our packaging portfolio contains many different materials, as each material and each packaging element has specific performance and functions to fulfil.

Flexible plastic

Flexible films are among the best-performing packaging materials for light weight and food protection. We are proceeding with our plans to design them to be recyclable according to design-for-recycling guidelines, eliminating non-recyclable material combinations and problematic components, or considering the use of paper-based materials, where these offer better performance (less plastic use or acceptance in the paper recycling stream).

Rigid plastic

We are working on specific opportunities identified for each resin group: increasing the recycled content in PET bottles, improving recyclability as we move away from hard-to-recycle resins to more recyclable alternatives, replacing mixed plastics, and running sorting tests to assess sorting of opaque and small packaging, as well as the impacts of sleeves, labels or adhesives. Also in this case, aligning with design-for-recycling guidelines is always a key enabler for the circularity of plastic packaging.

Paper and board

We aim to maximise the use of recycled paper wherever possible. For safety and quality reasons, we adopt virgin-fibre materials for primary packaging. Our sourcing strategy ensures our virgin paper and cardboard comes only from well-managed sources. Paper-based packaging is increasingly used as an

alternative to existing packaging (such as flexibles): we are considering the use of paper-based packaging in place of plastic or aluminium, where the paper-based options offer reliable performance. Alignment with design-for-recycling guidelines²¹ is always a key enabler for the circularity of paper-based packaging.

Glass

Glass jars and bottles are designed to be circular. We work with suppliers to track the amount of recycled glass yearly used in our jars and bottles. On the basis of this data, we can begin estimating the recycled content used in our glass packaging, reaching 35%²² for glass jars.

Metals

Metal packaging is typically the first material fraction to be sorted for recycling, in the so-called light fraction²³. For Estathe cans we use aluminium that has very high recycling rates and at the same time allows to use high recycled content, supporting an overall reduction of environmental impacts throughout the value chain.

Others

This category includes various elements such as wooden pallets, labels, composite material packaging, and other items. For these elements, we have specific projects to achieve recyclability, reusability and compostability, where relevant.

21. E.g. Golden Design Rules (from Consumer Goods Forum) and guidelines developed by RecyClass, APR, CEFLEX, Evergreen, where we are active contributors in technical committees.

22. By weight.

23. Plastics, metals and drinking cartons.

In the fiscal years 2019/20²⁴ and 2020/21²⁵, we included in our disclosures the volumes of packaging used in new plants²⁶ that were the result of completed acquisitions of new factories and full integration in ways of working and data-management systems.

Other more-recent acquisitions will be included in this remit in the coming years. As a consequence, our total plastic packaging volume is likely to increase, compared to a baseline year of 2019/20, when we considered fewer plants in our calculations. We will monitor our progress towards our reduction targets, taking into consideration a constant specification, to maintain consistency with the initial baseline.

What have we achieved?

We continue working to reduce the use of virgin plastic by using 100% recycled content in PET bottles.

In fiscal year 2021/22 a new metric to measure sustainability packaging progress was introduced. Packaging designed to be recyclable enables Ferrero to show progress on efforts taken to better design our packaging that is not immediately considered as recyclable 'in practice and at scale'.

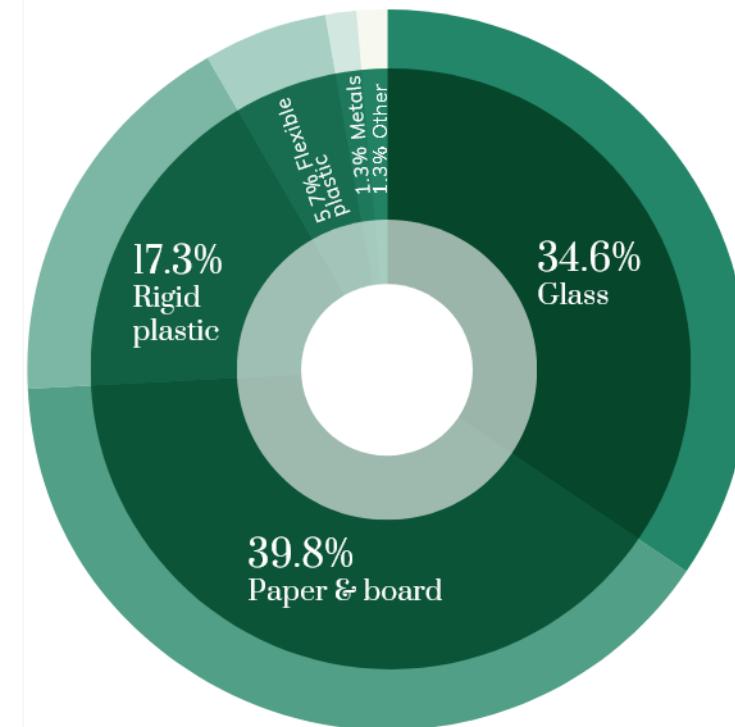
24. Bloomington (US) and Franklin Park (US).

25. North Canton (US).

26. North Canton (US), Bloomington (US) and Franklin Park (US).



**Materials used for packaging applications
(2021/22)**



(Extended scope)²⁷

FY 2020/21

FY 2021/22

Percentage of recycled materials in packaging	35.4%	35.4%
Renewable materials in packaging	39.6%	40.2%
Recyclable, reusable or compostable packaging ²⁸	83.1%	83.2%
Packaging designed to be recyclable ²⁹	not tracked	88.5%
Recycled content in plastic packaging ²⁹	4.0%	4.3%

27. Data includes North Canton (US), Bloomington (US) and Franklin Park (US).

28. 100% by weight goal by 2025, for the overall packaging volume.

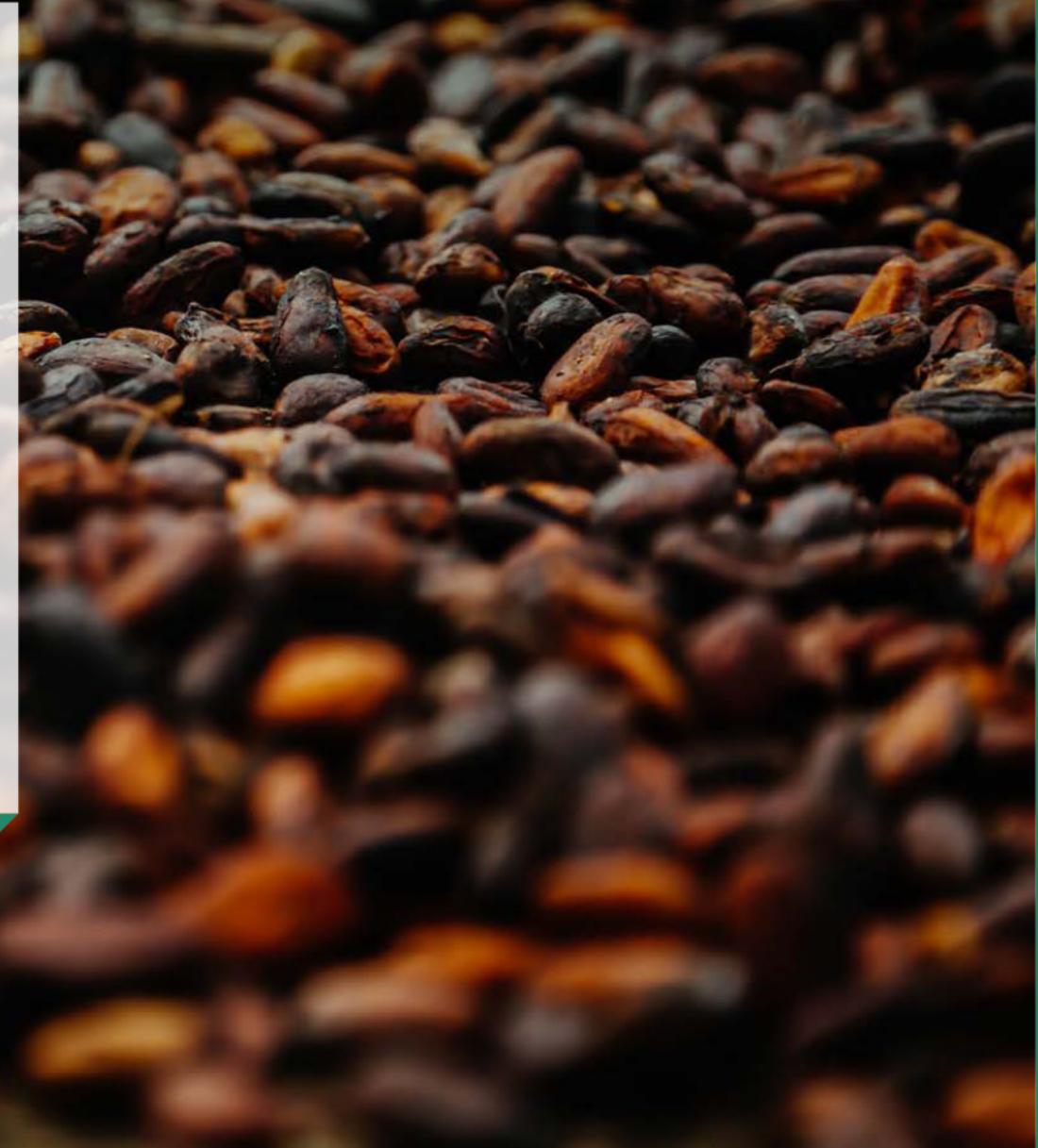
29. 12% by weight goal by 2025, for the plastic packaging volume.

Our sustainability progress (continued)

02

Source ingredients sustainably

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Hazelnut	45
Palm oil	50
Milk and eggs	54
Sugar	55
Other ingredients	56



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<

How we source ingredients sustainably

We aim to create a thriving supply chain that benefits farmers and their communities, and protects people and the environment.

Why does it matter?

Sourcing safe, high-quality ingredients responsibly and transparently is important for our products and for our stakeholders. The business benefits of this are clear – it helps ensure the quality we are looking to reflect in the product, reduces risks and improves innovation in our supply chains. It also benefits the farmers, communities and landscapes we source from, by improving livelihoods and financial resilience, and by addressing issues such as child labour and deforestation.

Our approach

Responsible sourcing is a key aspect of the way we do business and the way we build our supply chains – it is a non-negotiable requirement. We have built strong due diligence and supplier-management practices, traceability and transparency throughout the supply chain, certification and standards, partnerships and collaboration, these last two being deeply rooted in our business culture.

We take a four-steps approach – the higher the risk, the stronger our level of understanding and protection of the supply chain needs to be. We cover each of our raw materials categories with a protection level based on its level of risk. All our suppliers undergo a risk assessment and, as such, a minimum level of due diligence. We invest in mitigation programmes for higher-risk categories to improve sustainability farming and production standards.

On top of the due diligence, we can trace most our relevant raw materials back to their origin. Palm oil and cocoa, for example, are mostly traceable back to the plantation or farmer. Most of the categories we spend directly on,

Four Steps approach



such as raw and packaging materials, follow strict sustainability standards. For example, RSPO™ for palm oil, independently managed standards like Rainforest Alliance and Fairtrade for cocoa, FSC® and PEFC™ for virgin paper, or Bonsucro for cane sugar. When we decide to apply a standard, we always aim for full coverage of our supply chain.

When these efforts are not enough, we invest directly. Our partnerships with Save the Children in Ivory Coast and Ghana, ILO in Turkey, and Earthworm in South-East Asia, are clear signs we are selecting strategic partners to make a positive difference to our supply chains.



Supplier risk management and due diligence

Supplier risk management helps us measure, improve and assess supplier practices. It includes analysing risks and opportunities, ensuring compliance, running improvement activities and building capability. Our strict due-diligence approach requires suppliers to adhere to our Supplier Code. It has six steps, which apply to all our suppliers:

- Ferrero Supplier Code acknowledgement.
- Prioritisation, to identify major risks based on ESG-risk scoring.
- Supplier assurances (e.g. ISOs, other category specific standards and certifications).
- Supplier assessment (EcoVadis, Self-Assessment Questionnaire, Sedex SMETA).

How we source ingredients sustainably (continued)

- Verification and audit, to monitor and mitigate high-risk issues.
- Consequence management, to address issues directly with our suppliers.

The Supplier Code applies to all our spending categories and covers three pillars: human rights and social practices; environmental protection and sustainability; and supplier transparency. It defines our minimum requirements and expectations, and every supplier must acknowledge it as a condition of working with us. The Supplier Code also fully reflects our Human Rights Policy Statement. Depending on the risks identified in step two above, we may ask suppliers to provide certain assurances, standards or certifications, or undergo third-party audits or other assessments to ensure they are operating in line with our requirements. Every month, the Procurement Leadership Team meets to discuss all the non-compliances (the Responsible Sourcing Committee is chaired by the Group Procurement and HCo Officer) to address the issues at the highest levels directly with our suppliers. Issues discussed may include agreement on corrective action plans, exception management where necessary, companies' policies mutual recognition, or suspension of a supplier.

In July 2020, we began to prioritise and assess all suppliers using this approach. We sent our Supplier Code and an assurance questionnaire to all prioritised suppliers, to collect adopted

certifications and standards. By August 2022, we had enrolled around 7,000 suppliers, and we plan to have covered our whole active supplier base (around 21,500 suppliers) in the coming years. In addition, about 1,500 suppliers undergo an annual risk-assessment process which is the base for our supplier scoring, and potentially for audits and consequence management.

We maintain a transparent and accessible grievance mechanism. We provide a round-the-clock Integrity Helpline, managed by a third party. We can investigate grievances beyond the physical supply chain, and we inform all parties involved of the outcomes.



Supply-chain visibility

Traceability is an essential building block of a fair and sustainable supply chain. We can meet our commitments for quality and responsibility only if we know where our raw materials originate from and how they were produced. We obtain our raw materials from a multitude of smallholder farmers, and we need to identify and understand the issues they face, to be able to provide the right support. We expect our suppliers to support this commitment by being open about their activities and those of their own supply chains.

Farmer mapping is a tool for improving the traceability of raw materials like cocoa, palm oil and hazelnuts. Knowing the location and size of each farm makes it possible to trace raw materials to the farm-gate level, so we can target any necessary interventions. Better information, data and monitoring also help us support sustainable livelihoods and prevent risks such as deforestation, child labour and forced labour.

In 2020, we made a tremendous effort to enhance our traceability levels through different tools and technologies (e.g. digital mapping, satellite monitoring), especially for cocoa, palm oil and hazelnuts. In 2022/23, we are planning to extend our successful mapping initiatives to the wood and coffee supply chains, as we are welcoming the new EU regulation on deforestation-free products.



Standards and certifications

Certification schemes, where available, provide third-party assurance that suppliers are meeting specific traceability requirements and sustainability standards set by independent bodies.

In addition, we are developing Commodity Charters that cover requirements in our main categories. In 2021, we published our Hazelnut Charter and Palm Oil Charter and, in January

2022, our Cocoa Charter. These charters set out the minimum requirements our suppliers must meet, alongside the Supplier Code and due-diligence process, and define the certifications and standards we require for each category. They also include the level of traceability we aim for, specifying our adopted methodology and technology. The Charters also outline the commitments we are prepared to make to further improve conditions, with a three-year plan where we report our progress publicly.



Mitigation programmes through partnerships and collaboration

Because the challenges faced in different supply chains are deep-rooted and complex, we work with NGOs, scientists, universities, local and national authorities, peer companies, industry bodies, suppliers and other stakeholders to achieve our ambitions and enhance the resilience of our supply chains. When we decide that due diligence, traceability and standards are not enough to improve the quality, we invest directly with trusted partners to make an impact on the ground. You can read more about these partnerships in the following sections.

Case study

Due diligence roll-out

Between 2020 and 2022, we introduced our first suppliers' due diligence, with the results of our efforts as follows:

- Over 7,000 suppliers have already acknowledged the Supplier Code.
- We have collected around 1,000 supplier assurances.
- We have performed more than 1,000 supplier assessments.
- We have performed around 100 field suppliers' due-diligence audits.
- The Responsible Sourcing Committee has discussed around 70 cases of supplier consequence management.

These results are extremely important as they show that with a solid process in place, we can encourage compliance in each sector we operate and, ultimately, enhance the standards of the supply chains we source from. In the few cases of non-compliance, we put the relationship with the partner on hold. In many cases, our partners have thanked us for helping them prepare for the upcoming mandatory European due-diligence regulation, which often translates into better health and

safety conditions, more attention to recruiting practices, fairer labour conditions, more attention on poor waste management and more control of their own supply chains.

7,000

suppliers acknowledged
the Supplier Code

1,000

supplier assessments
performed



[Ferrero's Raw Material Charters, Supplier Code of Conduct and Human Rights Policy Statement](#)

[Cocoa Charter](#)

[Palm Oil Charter](#)

[Hazelnut Charter](#)

[Dairy Charter](#)

[Supplier Code of Conduct](#)

Cocoa

Cocoa is a fundamental ingredient in our products. Our distinctive sourcing approach is based on our promise of quality to consumers, as well as our ambition for a cocoa industry that's good for people and nature.

A challenging context

Ivory Coast and Ghana, two neighbouring countries in West Africa, together account for about 65% of global cocoa production, produced by about 2 million mainly smallholder farmers. We source most of our cocoa from these two countries, complemented by Nigeria, Cameroon, Ecuador and Colombia. The challenges in the cocoa supply chain, especially in West Africa, are complex. Many farmers live in poverty, which is one of the root causes of other systemic issues, including child labour, forced labour and deforestation.

Breaking the poverty cycle and supporting farmers in making cocoa farming a profitable and sustainable business is key to improving livelihoods. But to be successful, we need a smart mix of initiatives, including those aimed at increasing farmers' resilience to climate change, empowering women, providing children access to good education, and holistic community development programmes.

No stakeholder can solve these complex issues alone. We are therefore collaborating closely with industry, government, civil society and others to address agricultural, social, environmental and business issues in cocoa farming.

Our distinctive sourcing approach

At Ferrero, we do not simply buy materials, we manage and nurture our supply chains. As stated in our Cocoa Charter, published in early 2022, our ambition is to be a driving force in the cocoa sector where:

- Production creates value for all.
- We improve the livelihoods of smallholders and farming communities.
- We respect children's rights.
- We protect the environment and enhance it through sustainable agricultural practices.

Our activity along our supply chain as part of the four pillars of our Cocoa Charter is closely linked and part of an integrated, holistic approach. We also have a strong focus beyond our own supply chain, through our active engagement in various multi-stakeholder platforms and collective initiatives.

We are a long-standing member of the World Cocoa Foundation (WCF) and the International Cocoa Initiative (ICI). We are also a founding member of the Cocoa & Forests Initiative (CFI), which aims to tackle deforestation and land degradation in Ivory Coast and Ghana. The CFI model is considered by many stakeholders as a best practice for collective action.

Ferrero is also one of the partners of the Child Learning and Education Facility (CLEF) – a public-private partnership between the Ivorian government, industry and donors that through an innovative approach aims to provide children in cocoa-growing communities in Ivory Coast access to quality education.

For us, a key priority is to know who and where our suppliers source our cocoa from, and the conditions it is produced under. This supply chain visibility is essential, to assess if there are any non-compliances we need to address, or actions we need to take to improve conditions. Our distinctive sourcing approach puts us in a strong position to achieve this.

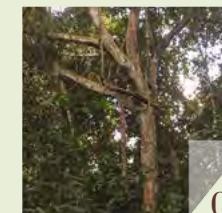
In 2021/22, we sourced about 70% of our cocoa as cocoa beans and processed them in-house for products like Nutella. The beans we buy are physically traceable, also known as 'segregated', which means we know which

farmers produced them. This high level of traceability is further strengthened through long-term relationships with our direct suppliers and with farmer groups, and by requiring our suppliers to polygon map the farms of the farmers they get our beans from.

In 2021/22, we sourced 82% of our entire cocoa volume from Ferrero-dedicated farmer groups we support through our sustainability programme. Of these, 80% have been in our cocoa supply chain for three years or more, and 15% for six years or more. This is important, as improving conditions takes time.

Cocoa Charter

FERRERO



01

02

03

04

Sustainable livelihoods

Ferrero committing
to support cocoa farmers

Farmers receiving
targeted support to
improve cocoa farming
and diversify income

Human rights and social
practices

Ferrero committing to
provide children joyful
growth

Community Development
programmes and woman
empowerment activities
to protect children's rights

Environmental
protection

Ferrero committing to
help end deforestation
and promote biodiversity

Farmers supported
to apply agroforestry
systems in our value chain

Traceability, risk
assessment and
transparency

Ferrero realising a
transparent and
compliant value chain

High level traceability,
risk assessment, progress
disclosure

The four pillars are founded on a **DUE DILIGENCE PROCESS** which covers all Ferrero suppliers.

Of our cocoa volume, 15% was sourced from the sustainability network of our tier-1 suppliers. The sustainable farmer groups that are part of this network are also supported through our sustainability programme. The difference here is that our suppliers source cocoa beans from these farmer groups for various customers, not only for Ferrero. For the rest, the sustainability approach with these farmer groups is the same as with our other farmer groups, ensuring that our minimum requirements for traceability, monitoring systems and so on are met, and farmers and communities are supported in improving their conditions.

In January 2021, we achieved our objective to source 100% of our cocoa through independently managed standards¹. For Ferrero standards provide an important starting point as our farmer groups are audited on critical control points like traceability and verification of the payment of the sustainability premium on top of the commercial price and good agricultural, social and environmental Practices. We are convinced though that Ferrero must 'Go Beyond' compliance alone to contribute in a meaningful way to a thriving cocoa sector that is good for people and nature.

Sustainable livelihoods
Cocoa farmers face significant challenges in securing a sustainable living. Many factors lead to low yields and incomes: poor farm design and management, small plots, ageing trees, diseases and pests, limited access to affordable and appropriate agricultural tools and materials, lack of financial access and literacy, and limited access to agricultural education, infrastructure and technologies.

What have we achieved?

It was again a difficult year, particularly for cocoa farmers and communities, who faced many challenges like increased costs of fertilisers. But despite these challenges, we've managed to make important progress in key areas of our Charter.

Particular highlights this year are: the completion of our four-year CFI action plan, where we reached the targets we set back in 2018, and in many cases even surpassed them; the implementation of year two of our five-year holistic community-development programme with Save the Children in 65 communities in Haut-Sassandra region, in close collaboration with the local authorities and our suppliers; and the development of a collective CFI farm dataset involving about 20 companies that shared a substantial number of farm polygons for Ivory Coast and Ghana with the World Resources Institute, which will apply its Deforestation Risk Assessment methodology to the dataset.

Cocoa
traceability to
farm gate level
(FY 2021/22)

96%



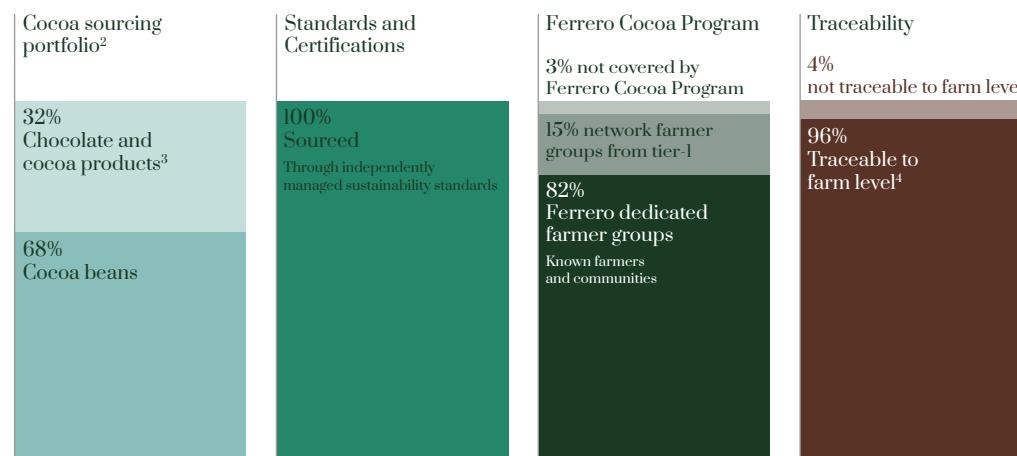
Note: considering traceable to farm gate if minimum GPS waypoint available.

Another important milestone was the official launch of the CLEF aimed at providing children in cocoa-growing communities in Ivory Coast access to quality education.

In July 2022 we signed alongside other companies a Letter of Intent to support the government of Ivory Coast and Ghana to evolve the Living Income Differential and set up the right mechanism to support farmers' living income and help ensure the sustainability of the sector.

1. These standards include certification schemes like Rainforest Alliance and Fairtrade and verified sustainability programmes of our suppliers like Cocoa Horizons, Cargill Promise Cocoa and Beyond Beans. The complete list of standards we apply to our supply is publicly reported in our Cocoa Charter and Cocoa Progress Report.

Ferrero cocoa supply chain: a distinctive sourcing approach



2. Perimeter: Ferrero, Thorntons, Fannie May and former Nestlé U.S. chocolate confectionary business.

3. Cocoa powder, liquor and butter.

4. Minimum GPS waypoint.

Cocoa (continued)

Through our sustainability programme, we provide targeted support to cocoa farmers to improve quality and productivity, aiming to help them earn more from cocoa. As cocoa doesn't provide a year-round income, we also help farmers diversify their income and increase food security.

We provide individual and tailored coaching and support to a large segment of our farmers to help them professionalise and diversify their operations. In 2021/22, 32% of farmers have received one-to-one coaching on farm and business planning and 20% are supported through individual long-term Farm Development Plans. In addition, 155,000 farmers participated in group training on good agricultural practices. We also supported so far 30,000 people in diversifying their on-farm and off-farm incomes through additional income-generating activities such as soap-making, chicken farms, beekeeping, grasscutters and small shops.

By distributing high-yielding and resilient cocoa seedlings, farmers can rejuvenate and rehabilitate ageing cocoa fields. We distributed 1,740,000 cocoa seedlings in 2021/22 alone, making 7,300,000 in total since 2014/15. In addition, on top of the commercial and farm-gate prices set by some governments, we pay cash premiums to farmer groups, doing so for 172,000 farmers this year. Of these, we paid 19% digitally to increase financial transparency and help farmers become bankable. We are aiming to increase this percentage year-on-year. Finally, we involved 4,700 young adults in community-service groups or 'pruning gangs' to provide farming services to farmers.

Human rights and social practices

We promote human rights throughout the global supply chain, and tackle child labour in particular. We also support the children of families in cocoa-growing communities by providing access to education, good nutrition and basic necessities like clean drinking water. We do this through an integrated approach that combines activities at household, community, regional and national level, working with key partners.

Given the critical role of women in bringing economic, environmental and social change, and ensuring child protection, we have a strong focus on empowering women. To support us in achieving our objectives we have a long-term strategic partnership with Save the Children, which we renewed in 2021.

To address child labour effectively, we need reliable systems in place to identify households at risk. We want all farmer groups in our supply chain covered with a Child Labour Monitoring and Remediation System (CLMRS) – or equivalent system. Last season, we reached 99% coverage with our dedicated farmer groups. In addition, we informed 172,000 people about children's rights, and 138,000 people about adult forced labour; we monitored 129,000 households and 219,000 children through our child protection systems, and help them obtain 2,600 children's official birth certificates in 2021/22.

To improve education prospects, we constructed or renovated 24 schools and 18 school canteens in 2021/22, bringing the total respectively to 103 and 49, and gave 21,000 children school kits. We also supported 221 youth with vocational training in 2021/22, bringing the total to 503 since 2018/19.

On the community side, there were 1,536 Village Savings and Loans Associations (VSLA) involving 38,000 members, of which 23% were women, that together saved over 2.1 million euros in 2021/22, of which 1.4 million euros was loaned to set up small businesses, pay school fees and similar. We also established three vegetable greenhouses in 2021/22, bringing the total to 130 since 2018/19, and constructed or renovated 33 water pumps in 2021/22, bringing the total to 155. Finally, we started phase 2 of a Community Development project with Save the Children, involving the remaining 33 communities, meaning that now all 65 communities in the Haut-Sassandra region in Ivory Coast are on board.

Part of our strategic approach is also our membership since 2008 of the ICI, a multi-stakeholder platform of industry and civil society which aims to ensure a better future for children and to advance the elimination of child labour in Ivory Coast and Ghana, and the public-private partnership CLEF, which aims to promote good-quality education and early childhood development for over 6 million children in Ivory Coast.



Environmental protection

The rate of deforestation and forest degradation, particularly in Ivory Coast and Ghana, threatens to undermine the resilience of the cocoa sector and the surrounding environment, and accelerate the climate, biodiversity and natural resource crisis. This affects the livelihoods of the millions of smallholder farmers who depend on it.

Working with our suppliers, we're contributing to ending deforestation and restoring forest areas, and supporting farmers in converting to agroforestry systems and becoming more climate-resilient. We do this through the CFI, which brings together companies and governments to act collectively and in a coordinated manner.

To prevent deforestation, we aim for traceability back to farm level and use satellite monitoring to monitor potential deforestation and ecosystem conversion in our supply chain. For all our cocoa in the 2021/22 season, we reached complete traceability back to farmer groups, 96% back to the farms with GPS locations and 89% polygon-mapped⁵. We compare the farm locations with official maps to check compliance with our no-sourcing policy for farms in national parks and protected forest areas. In 2021/22, we also covered 470,000 hectares with deforestation risk assessments and restored almost 1,400 hectares of forest area of which 17% are in protected forests.

As a cross-cutting solution to many cocoa sustainability issues, agroforestry is one of our primary Charter priorities, and links to

other targets such as distribution of seedlings. To date, we have supported the development of over 140,000 hectares of agroforestry, involving a total of 77,000 farmers. We have trained 70,000 farmers in climate-smart farming. So far, we have supported the distribution of 7.3 million cocoa seedlings and almost 5.6 million native and multi-purpose tree seedlings. We also supported 10,000 farmers with Payments for Environmental Services (PES).

Traceability, risk assessment and transparency

Our results demonstrate our strong focus on traceability which, from the very beginning, has been the cornerstone of our responsible sourcing approach.

Supply chain traceability has always been one of the key quality and sustainability pillars at Ferrero. Our ambition is to have full visibility of our cocoa supply chain to understand issues and risks, and address them.

The total cocoa volume we received in 2021/22 was close to 224,000 metric tonnes (MT), of which 68% was cocoa beans processed in-house, with the remaining 32% being cocoa derivatives such as liquor, butter and powder, and chocolate products. It was all sourced through independently managed sustainably standards such as Rainforest Alliance, Cocoa Horizons and Fairtrade⁶. In 2021/22, we published a specific [Cocoa Report](#) for the first time, where we stated the progress made on our Ferrero Cocoa Charter, published early 2022.



5. Polygon mapping is achieved by trained specialists who walk around the cocoa farm noting GPS points through which they can identify the location of the farm precisely and measure its size. Based on this, they can then verify a farm is not located in a protected forest, and estimate more accurately the total volume a cocoa farmer can produce. This method is more precise than others, which collect only a single GPS point for a farm.
6. See page 9 of the Cocoa Charter for the full list of Standards through which we source cocoa.

Cocoa (continued)

If we consider the entire cocoa volume, the traceability performance was as follows:

- 99% traceable to origin.
- 96% traceable to farmer group level⁷.
- 96% traceable to farm gate if minimum GPS waypoint available.
- 89% traceable to farm gate if minimum requirement polygon-mapped⁸.

If we consider only the cocoa beans we received:

- 100% traceable to origin.
- 99% traceable to farmer group level.
- 98% traceable to farmgate if minimum GPS waypoint available.
- 93% traceable to farmgate if minimum requirement polygon-mapped.

About 82% of the entire cocoa volume in 2021/22 was from our dedicated farmer groups.

- 6 origins.
- 174 farmer groups.
- 170,000 farmers in our programme, of which 161,000 (95%) were polygon-mapped.
- From these 170,000 farmers, 153,000 supplied cocoa for Ferrero, and 147,000 of these (96%) were polygon-mapped.

Looking ahead

We will continue to grow and strengthen our cocoa sustainability programme, to achieve a positive and lasting impact on the cocoa value chain. 2021/22 marked the final year of our CFI Action Plan for the period 2018-22. We will develop and publish a renewed plan with targets for 2025. We will also take important steps to support collective action within the industry, working with key stakeholders from governments and civil society.

Other key activities for the upcoming year will include:

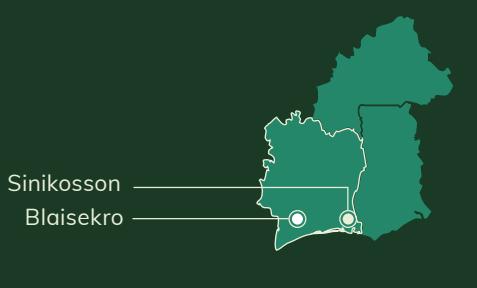
- Further roll-out of our Community Development project with Save the Children in the Haut-Sassandra region in Ivory Coast.
- Launch renewed Ferrero CFI Action Plan with targets for 2025
- Further increasing the number of farmers who receive their premium digitally, to further improve financial transparency.
- 7. Including farmer groups that are not part of Ferrero's dedicated farmer groups.
- 8. Farmer groups that have on average a 10% annual turnover of farmers. Each year newly joined farmers must be mapped and we also re-map farmers, usually every 3 to 5 years, to ensure the data is still valid.

Case study

Building schools to support children

From the beginning of Ferrero's cocoa sustainability programme supporting the protection and development of children in cocoa-growing communities has been one of our key priorities. This includes ensuring that children have access to quality education, for example by providing financial support to construct and renovate schools.

On 24 September 2012 we celebrated the opening of the first school located in the Ivorian community of Sinikosson (see also page 109 of our 4th CSR Report). In 2021/22 we passed the milestone of 100 schools (total 103). One of the 24 schools in 2021/22 is located in Blaisekro, a community of 107 people in the southwest of Ivory Coast. In addition to the school, our local partner Ecookim also established a school canteen and latrines to ensure children have access to good nutrition and hygiene.



Hazelnuts

Hazelnuts characterise the unique taste of many Ferrero products. Thus, we aim to be a driving force behind a hazelnut industry where hazelnut production creates value for all.

A challenging context

Risks in the hazelnut supply chain arise from several complex, systemic and deeply ingrained challenges in producing countries. For example, Turkey, among other places, attracts seasonal migrant workers who travel with their families and lack access to schools and childcare. This sometimes results in exploitation, such as bonded labour or child labour, poor working conditions and inadequate accommodation.

Traceability is another challenge. Hazelnuts are grown mainly on small-family orchards, so large-scale use of them can involve highly complex supply chains with a variety of intermediaries and data-processing systems. We are working to increase supply-chain traceability and transparency through development programmes designed to fully cover our sourcing areas. Tracing our hazelnuts back to farm level gives us confidence in how they were grown, and enables us to support farmers and suppliers in developing better social and environmental practices.

We work hard to minimise the environmental impact of hazelnut growing in all our sourcing countries. We have agreed long-term projects with leading universities, agricultural research centres and international subject-matter experts to improve the sustainability of

hazelnut production worldwide. Priorities for the industry include optimising water use for irrigation, improving agricultural inputs, and testing and implementing integrated pest-management practices. We are also investigating innovative approaches to maintaining or increasing the level of organic matter in soil, and so helping minimise the use of mineral fertilisers.

Our distinctive sourcing approach

Our hazelnuts come mainly from Turkey, Italy, Chile and the US. They are sorted, cracked, shelled, calibrated and selected in plants before shipping to Ferrero. We carry out stringent quality checks before the roasting process, to guarantee excellent product quality for consumers.

Since 2000, we have been directly involved in the hazelnut supply chain and are encouraging cultivation in areas of the world such as Chile, Oregon, Georgia and the Balkans. This is to guarantee a high-quality supply of fresh hazelnuts throughout the year. We grow hazelnuts on our own farms in these countries through the Ferrero Hazelnut Company (HCo), a fully integrated value-chain company with activities from farm to factory. This integration maximises the potential for quality improvements and innovation.

Our ambition is to help the hazelnut industry evolve so farmers and their communities thrive, workers' and children's rights are unequivocally respected, and environmental values are enhanced through regenerative agricultural practices. We also continue to promote capacity-building and improvements along the value chain.

With strategic support from Earthworm Foundation, we developed the Ferrero Hazelnut Charter, published in 2021. This outlines our long-term commitments, with specific short-term objectives (2023), to take the lead in creating a hazelnut industry that benefits everyone involved.

The Charter is based on three pillars that apply to all our hazelnut suppliers, the three themes being common to other Ferrero raw materials and commodities.

Hazelnut
traceability to
farm gate
(FY 2021/22)

79%



Hazelnut Charter

FERRERO



01

02

03

Human rights and
social practices

Environmental
protection/sustainability

Supplier transparency

**Ferrero committing to
joyful growth and child
protection across its
sourcing**

**Ferrero applying the
principles of regenerative
agriculture on its farms
and across selected
territories**

**Ferrero achieving farm
gate traceability to farm
level for all its sourcing**

The three pillars are founded on a **DUE DILIGENCE PROCESS** which covers all Ferrero suppliers.

Hazelnuts (continued)

Our Ferrero Farming Values (FFV) for hazelnuts works in four ways, tailored to meet local needs, to support our three over-riding pillars above:

- **Agri Competence Centre:** Our experts, together with our partners, create and share scientific knowledge in hazelnut cultivation to improve quality and productivity and enhance sustainability.
- **Agrifarms:** At our agrifarms, we showcase good agricultural practices and support the sector's sustainable development.
- **Agribusiness development:** Together with partners such as farmer associations and institutional bodies, we support the development of hazelnut cultivation around the world. We focus on improving quality and yield and enhancing sustainability.
- **Traceability and sustainability:** We aim to achieve full traceability of our hazelnuts to farm level. We support the improvement of working conditions and social practices.

Through our FFV programme, we work with farmers to implement good agricultural and social practices. We employ large FFV teams to do this – more than 100 people in Turkey, for example. Additionally, we run educational days on mechanisation, drip irrigation and pruning, along with training on health and safety, and sustainability practices.

In Turkey, the Hazelnuts FFV follows a specific production standard for good agricultural and social practices. We created it in 2012, when there was no recognised certification scheme for hazelnuts. It is designed to ensure crops are produced in a way that is respectful and sensitive to nature, human rights and the

surrounding environment, and we update it yearly to reflect our changing approach to the subject. Since 2021, the FFV standard has fully reflected the structure of the Hazelnut Charter. In Italy, our FFV programme aims at developing a sustainable supply chain with a focus on sustainable agricultural and social practices and enhanced traceability.

To achieve this we are working in collaboration with several Universities (among others, Viterbo, Turin, Perugia and Salerno), research institutes (i.e. CREA – Consiglio per la ricerca in agricoltura e l'analisi dell'economia agraria, CNR – Centro Nazionale delle Ricerche), institutions and local farmers' associations.

FFV is also supported by the Comitato Scientifico Nocciole (Hazelnut Scientific Committee) which brings together university professors and well-known experts from across agricultural and scientific disciplines to advance knowledge and innovation in hazelnut cultivation.



What have we achieved?

For the FY 2021/22 crop¹⁰, despite systemic supply-chain complexity, we have achieved an overall traceability figure of 79%¹¹ for all our sourced hazelnuts, supported by the Sourcemap platform.

For the second year running SCS (a third-party auditing firm) conducted a traceability audit in three of our main sourcing countries (representing > 90 % of hazelnut volumes purchased). One of the goals of their site visits was to verify the information reported by our suppliers into the Sourcemap platform and to record any difficulties encountered, so as to continuously improve our process.

More than 450 suppliers were interviewed across these three countries. Whenever discrepancies were identified between the data entered into the Sourcemap platform and those recorded during the audit, these were corrected in Sourcemap in order to provide the most accurate traceability figures for the hazelnut value chain.

10. 2021 for the regions in the Northern Hemisphere and 2022 for the Southern Hemisphere.

11. Excludes 2021 crops under Stock Amnesty in Turkey, as the law offers facilitated fiscal regime and possibility to not record receipts for low-income professionals. Due to lower traceability rates and the materiality of Turkey in the hazelnut sourcing of Ferrero, the overall traceability rate in the coming years after the stock amnesty may decrease.

Human rights and social practices

Our approach to tackling labour issues covers a range of initiatives and activities, such as supply-chain traceability and risk assessments; building capacity at national level and throughout the supply chain; raising awareness; development projects to improve working and living conditions for seasonal workers and their families, including child education and healthy development; and FFV training and audits, including on social practices. For us, child protection means we are determined to prevent and eliminate child labour all along our value chain, allowing every child to experience joyful growth through a right to education and a safe environment.

To achieve our aims, we invest in various partnerships and projects. For example, we chair CAOBISCO (the European Association of Chocolate, Biscuits & Confectionery Industries) and work with the International Labour Organization (ILO) in Turkey. In November 2020, working with ILO, we started a 40-month project in Turkey to contribute to the elimination of the worst forms of child labour in seasonal agriculture in hazelnut harvesting. The partnership aligns with the Turkish government's strategy, aiming to build capacity, raise awareness and intervene where necessary. We focused initially on three hazelnut-producing regions in Turkey, and the province of Sanliurfa, where many migrant workers come from.

We extended our CAOBISCO-ILO partnership to 2023, working now in five regions: Duzce, Sakarya, Ordu, Giresun and Samsun. We will also be investing 3.5 million euro to complement the CAOBISCO coverage through activities in Samsun, Trabzon and Zonguldak. In addition, we have launched several initiatives involving Turkish NGOs, to better involve local communities and target their needs more effectively.

Since the 2013 harvesting season, we have achieved the following:

- We reached more than 21,000 children through education services.
- We provided individual counselling to around 9,000 families in the targeted districts of Ordu, Düzce, Sakarya, Samsun, Zonguldak and Giresun.
- We provided counselling and training sessions to more than 800 agricultural intermediaries.
- We provided counselling and training sessions to more than 10,000 orchard owners.

12. [Supporting Children's Rights through Education, the Arts and the Media](#).

Year 2022: Counselling sessions and material support provided

Activity	Number of beneficiaries	
	2022	
Educational materials for children	>9,500	
Nutrition support for children	~6,000	
Transportation support for children	>2,500	
Social and cultural activities for children	>10,000	
Health/hygiene kits for children	~8,000	
Clothing sets for children	>3,000	
Counselling sessions for family members	>1,500	
Food and hygiene cards/vouchers	>1,500	

Turkey 2022 Harvesting Season



Hazelnuts (continued)

Environmental protection

We work with farmers and suppliers, fostering the principles of regenerative agriculture to enhance farm biodiversity, improve soil health and farmers' resilience to climate change. We apply the principles of regenerative agriculture in hazelnut farming on our farms and across selected territories, from trials optimising water consumption and soil organic matter, to carbon sequestration assessments, and responsible pest and disease strategies.

Through our Agri Competence Centre (ACC) we develop and share scientific knowledge to improve quality and productivity and enhance sustainability. The ACC's work includes helping to develop more efficient growing methods and address pest-management problems, as well as to develop new sustainable hazelnut breeds.

Guidelines for sustainable hazelnut production

We have developed a set of guidelines for farmers, aiming to increase awareness of our views on human rights and social practices, environmental protection and sustainability, and supplier transparency. The guidelines follow the three pillars of the Hazelnut Charter. Under each, we explain what is important to us and why, followed by specific guidelines to help inspire the right practices for responsible hazelnut production. The guidelines are not compulsory, and farmers will be able to offer suggestions for the continuous improvement of the value chain.

Case study

BMSB monitoring APP

As part of our integrated pest-management strategies, we have developed software to monitor the presence of the brown marmorated stink bug (BMSB) (*Halyomorpha halys*) in the most critical hazelnut production areas. The aim is to minimise the use of plant protection products, reducing the impact on the environment and enhancing biodiversity.

Case study

Nutrition

We are performing a carbon lifecycle assessment (LCA) of the whole HCo supply chain. It aims to better understand the carbon emission and carbon sequestration potential of hazelnut orchards, but also includes post-harvest processing and handling, and transportation along the entire hazelnut lifecycle. The ultimate goal is to identify what growers and the industry can do to decrease the carbon footprint of the whole supply chain.

Case study

Optimised hazelnut irrigation

We promote research on regenerative hazelnut cultivation by working with research institutions. One of the most important research activities is how to optimise water resources in hazelnut orchards. In addition, we are developing cutting-edge research on hazelnut nutrition, with the aim of helping advisors and growers with more efficient fertilisation plans and to improve soil health in orchards.



Monitoring the impact of hazelnut cultivation on bees

We have implemented a programme to monitor the health of bees and other native pollinators, as well as to assess the biodiversity index in the main hazelnut-growing areas.

Supplier transparency

By tracing our hazelnuts back to their origin, we can be confident about how they were grown, and can help farmers and suppliers develop better social and environmental practices. A traceable supply chain also provides a basis for effective monitoring.

The hazelnut supply chain includes specific challenges that may be deeply rooted in the environmental and social conditions of each region. These range from the many intermediaries who sell and process the nuts in Turkey, to the limited availability of technology in many hazelnut-cultivating regions. Addressing these issues is crucial to developing a transparent supply chain, and requires close collaboration among all stakeholders, from farmers to final processors.

To fulfil our ambition of full traceability to farm level by 2023, we have worked with Sourcingmap, a leading provider of supply-chain mapping and digital-transparency solutions, aiming to develop a global traceability platform by tracing hazelnuts from farm to factory.

We successfully rolled out Sourcingmap's platform to all suppliers in our key hazelnut countries, to use data science to detect incoming agricultural and social challenges, and to ensure improvement.

Sourcemap ensures all the information we need for full traceability is collected and stored safely. Our suppliers provide their data voluntarily, and Sourcemap ensures it remains anonymous.

As we require suppliers to work with us towards achieving our traceability target, they must identify where their commodities originate from, and we ask them to retain records and manage this information. To ensure an impartial verification of the data they provide, we have commissioned an independent, international auditing institution.

Since the launch of our Hazelnut Charter, we have been updating the database generated and managed by Sourcemap, and extended the positive effects of supply-chain transparency to all hazelnut suppliers and growers. Building on lessons learned during the roll-out, we continue implementing a set of initiatives to improve how we support our suppliers, putting our traceability understanding at the service of the global hazelnut community.

Third-party verification and certification

Turkey

Since 2012, Scientific Certification Systems (SCS) has overseen the audit programme for the FFV Production Standard in Turkey, and in 2021 it was updated with a stricter

requirement. From an audit planning and execution standpoint, we improved the way we define the sample of the farms to audit. In addition, for statistical purposes, we surveyed a group of farms not involved in the FFV Production Standard (as a control group). The audit and survey programme reached 309 farms in five regions, including 114 from the control group. For the 309 FFV farms, all non-compliances identified were tackled through a corrective-action plan. In addition, for a second year, SCS has also been in charge of auditing and surveying the Turkish value chain for traceability purposes. The programme reached 274 entities, delivering direct support to the value chain in traceability data management.

Italy

We also work with SCS in Italy, and ran an audit programme to farm level during the harvest period, to implement good agricultural and social practices. SCS has also been in charge of auditing and surveying audit and survey through the Italian value chain for traceability purposes. The programme reached 155 entities, consolidating through the value chain the traceability data management.

Chile

In 2021, SCS carried out the surveillance audit remotely due to Covid-19. It also reviewed employee working conditions, health and safety, and social practices. We retained the Sustainably Grown Standard we have had

since 2019, confirming our commitment to the sustainable development of the hazelnut value chain.

Serbia

Serbia is also certified under the Sustainably Grown Standard, and the certification programme gives agricultural producers technical support in improving sustainable management at their plantations. This also reassures customers that we are meeting the highest environmental, social and economic sustainability standards, that farm workers and their communities are protected, and that farms are economically resilient.

Looking ahead

In January 2021, in line with our Supplier Code, Ferrero has published a Charter document dedicated to hazelnuts. The [Ferrero Hazelnut Charter](#) outlines our commitments and requirements based on our selected priorities in three areas: Human Rights and Social Practices, Environmental Protection and Sustainability, and Supplier Transparency, towards our aim to be a driving force behind a hazelnut industry that creates value for all. These commitments and requirements have been established until December 2023 and we will work with all the relevant stakeholders to design the new hazelnut charter for the three-year period 2024/26, addressing the new challenges of the sector and incorporating the key learnings of our different activities.



Palm oil

Palm oil has been used for human nutrition for thousands of years and provides a livelihood for millions of people. Over 40 countries produce palm oil, with Malaysia and Indonesia together accounting for around 85% of global production¹³.

Palm oil plays a key role in our products, enhancing the taste and texture of the other ingredients throughout the product's shelf life. It has an excellent yield compared with other vegetable oils, and is an important contributor to the livelihoods of farmers. In 2021/22¹⁴, we sourced around 230,000 metric tonnes of palm oil. This amount is around 0.3% of the world's total palm oil production of about 77 million tonnes¹⁵. In 2015, we became one of the first global companies to source 100% RSPO-certified segregated palm oil. The segregation model ensures sustainable palm oil is kept separately from non-sustainable palm oil all the way along the supply chain from the plantations and farms.

A challenging context

Palm oil production has been associated with negative impacts on biodiversity, as if not sourced sustainably it contributes significantly to changes in land use, and the use of chemicals in tropical forests and other species-rich habitats. Tropical natural forests hold large stores of carbon and function as biodiversity habitats; when these forests are cleared, known as deforestation, the carbon is released and the biodiversity is lost. It is often

difficult to trace palm oil to its source, bringing challenges in tackling the social issues linked to sourcing palm oil. Often, the land rights of indigenous communities are not recognised, and land clearance by palm oil companies can displace rural farmers. Labour rights is another issue, as workers often live in poor conditions without access to basic facilities.

Our distinctive sourcing approach

Our palm oil sourcing and sustainability approach is based on a few key principles, including:

- Sourcing 100% RSPO-certified palm oil as segregated¹⁶ for Ferrero products, from a limited number of reliable suppliers, enabling us to trace our palm oil back to plantation level, while working together with our suppliers to implement improvements and solutions.
- Building on this high level of traceability to plantation level, monitoring our full palm oil supply chain for deforestation with the Starling satellite technology (covering over 1.3 million hectares of land).
- A Palm Oil Charter and a Supplier Code with standards and requirements, which are also based on [Palm Oil Innovation Group \(POIG\)](#) requirements and verification indicators and [High Carbon Stock Approach \(HCSA\)](#).
- Disclosing our [palm oil supply chain](#), both for our historical and acquired products.

Our [Palm Oil Charter](#), updated in 2021, outlines our ambition to achieve a palm oil industry that is good for both people and nature by going beyond high certification standards.

Through our Charter, we aim to be a driving force behind a palm oil industry where production creates value for all: where smallholders and farming communities thrive; where workers in mills, refineries and plantations have rights that are unequivocally respected; and where environmental values are protected and enhanced through sustainable agricultural practices.

The Charter is based on three pillars that apply to all our palm oil suppliers, the three themes being common to other Ferrero raw materials and commodities.

- 13. [Palm Oil Production](#) » [European Palm Oil Alliance](#)
- 14. July 2021 to June 2022.
- 15. Palm Oil 2022 World Production: 77,429 (1000 MT) (Updated 02/2023) [Palm Oil Explorer \(usda.gov\)](#)
- 16. RSPO Certified Palm Oil from different certified sources that is kept separate from ordinary palm oil throughout the supply chain.

Palm Oil Charter

FERRERO



01

02

03

Human rights and social practices

Ferrero committed to improved working conditions across its value chain

Workers with fair recruitment, working and living conditions

Environmental protection/sustainability

Ferrero actively monitoring and verifying that its value chain is deforestation-free

Satellite verification to ensure zero deforestation in our value chain

Supplier transparency

Ferrero achieving a fully transparent value chain

Full traceability to plantations, publication of mills and estates list, time bound Action Plan and Progress reports

The three pillars are founded on a **DUE DILIGENCE PROCESS** which covers all Ferrero suppliers.

Human rights and social practices

Our overall aim is to foster a more equitable value chain for the people involved in palm oil production at every level. Unethical recruitment practices are identified as one of the major labour risks within the palm oil industry, and these include passport retention and restriction of movement, debt bondage and unfair recruitment, wage-related issues and forced overtime, restriction of freedom of association, and poor living conditions and standards.

Through selected programmes, we aim to improve working conditions and build the resilience of workers on small to medium-sized plantations. The challenge is to measure the level of social non-compliance and provide adequate support to intervene. We require our suppliers and partners to follow the strict guidelines outlined in our Human Rights Policy Statement, Supplier Code and Palm Oil Charter. We source RSPO-certified segregated palm oil, which is produced according to a set of stringent environmental and social principles. We also take pride in investing in training for smallholders and helping them shift to more sustainable business models.

If we identify non-compliance among our suppliers, we immediately put remediation in place by requesting corrective action plans, and we work with them to implement the plans. If issues are not resolved, we reserve the right to terminate the business relationship. You can read more about the grievances mechanisms and verification in the [Palm Oil Charter](#).

The Earthworm project in Malaysia

Earthworm Foundation aims to transform people's relationships with nature and use the influence of leaders in the supply chain to create a market for responsible oil.

We launched a new project with Earthworm in 2021, with a focus on human and worker rights. The programme continued in 2022 and supported one of our third-party suppliers in adapting their labour practices and ensuring fair, safe and decent living conditions for workers. A second programme was launched in 2022 with one of our key direct palm oil suppliers, with a clear focus on ethical recruitment practices. 70 workers, direct and contracted, were involved in the two programmes in 2022.

Earthworm southern-central forest spine landscape

We are directly contributing to landscape transformation in Malaysia, along with other industry leaders. Our work on this includes direct supply-chain transformation, forest protection and restoration, and resilient farmers and workers' rights. Key targets are to be met by 2025, among which will be helping more than 18,000 migrant workers through ongoing labour programmes.

Environmental protection

Collaborating with suppliers is key to our aim to protect standing forests or restore natural forest areas, to generate positive carbon and biodiversity impacts. This means having a clear map of the high conservation value (HCV) and high carbon stock (HCS) areas associated with the palm oil we source. We also use a satellite monitoring system to ensure our suppliers protect these areas.

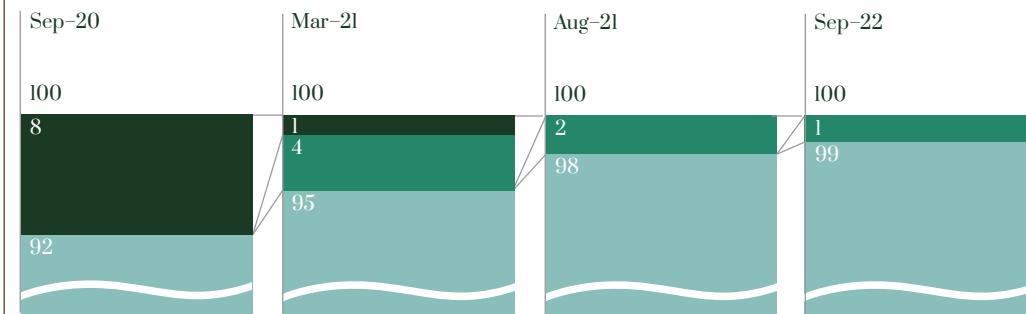
We recognise the role natural habitats, soil and water play in regulating our climate and ensuring a healthy, biodiverse home for humans, plants and animals. We also recognise the palm oil plantations we source

from are connected to this wider landscape. The health of these plantations is linked to the farming and production practices adopted, as well as the wellbeing of the surrounding environment.

Using Starling

Building on our strong investment in RSPO SG¹⁷ and thereby traceability to plantation level, we monitor all of our Ferrero¹⁸ palm oil supply chain for deforestation and conversion with the Starling satellite technology, covering more than 1.3 million hectares of land¹⁹. This enables us to identify deforestation in near real-time, and where exactly it occurs, enabling fast and targeted management of deforestation.

- Deforestation verified²⁰ and mitigation in progress
- Under investigation
- Deforestation-free



17. Not including acquired products that have joined the Ferrero extended family in the past few years.

18. We currently monitor Ferrero's products, which do not include acquired products (Thorntons, Fannie May, brands that were under Nestlé's chocolate business in the USA, and Ice Cream Factory Comaker.)

19. As per our H1 2022 mill list.

20. Deforestation within 20 km radius only when estate not mapped; <2% of volumes.

Palm oil (continued)

TRAILS

Agroforestry represents an opportunity to strengthen biodiversity reservoirs, by reintroducing different tree species into palm groves, to improve long-term environmental and socio-economic resilience.

Since 2020, and through 2022, Ferrero supported the TRAILS agroforestry project, coordinated by CIRAD²¹, in Malaysia. The project aims to create landscapes where people and wildlife can coexist peacefully. It links academics, NGOs, and private and public stakeholders to enable integrated approaches to reforesting wildlife corridors (one of the key components in preserving biodiversity and climate resilience in fragmented plantation landscapes) while also tackling rural poverty. Its activities include:

- Identifying and replanting areas with mixed forest species and selected oil palm seedlings.
- Monitoring wildlife recolonisation.
- Studying different oil palm methods and yields.
- Providing environmental services to aid climate resilience; and
- Studying the socio-economic impact of changes in agroforestry systems.

One aim is to involve local communities in preserving orangutan habitats within landscapes dominated by oil palm plantations. Another important project activity is to help local women establish a nursery to produce tree seedlings for reforestation and oil palm systems.

Integrated pest management (IPM)

For a sustainable supply chain, we need to ensure we reduce the impact of pesticides and other agri-chemicals, so we can develop resilient, nature-based and biodiversity-friendly production practices. Since 2021, we have been part of a pilot project led by the Sustainable Agriculture Network (SAN), a global collaborative focused on helping farmers and rural communities thrive, and companies progress their sustainability agendas.

During 2022, alongside SAN, we conducted research in oil palm smallholdings in Malaysia, to better understand how plant diversity can be an effective nature-based solution for suppressing insect pests. The research represents the start of a programme to encourage palm oil producers to adopt enhanced biodiversity conservation practices, establish habitats for beneficial insects, and reduce the usage of artificial pesticides.

2022 results included identifying the ideal plant species to be propagated in the next stage of the project, as well as new findings about the significant potential of some natural weeds as a resource for beneficial insect populations.

The outcomes from the research will inform the next phase of the programme, and will also contribute to a growing body of knowledge on the benefits of agriculture biodiversity for producers, nature and society using flower strips, and managing the forest understorey layer.

Supplier transparency

We aim to always know where our raw materials come from, right down to the estate and farm level. Aside from enhancing the transparency of our supply chain, this helps us foster a deeper relationship with our business partners and farming communities, while deeply understanding the key challenges we need to address.

We aim to source only RSPO-certified segregated palm oil so we can trace it back to mill and plantation level. We are currently working to extend this commitment to products we have acquired in recent years. This process can take some time, as it depends on the complexities of post-acquisition integration processes.

Looking at the full scope²² (Ferrero and acquired brands), between July 2021 and June 2022, the palm oil we sourced was 99.6% RSPO-certified segregated palm oil and 0.4% conventional palm oil. Of this total, 99.5% is traceable back to plantations.

Specifically for our legacy products (Ferrero only), all the palm oil we use is 100% RSPO-certified segregated palm oil (of which more than 6% is POIG-verified), with 99.95% traceability to 146 palm oil mills and 722 plantations.

RSPO-certified
segregated
palm oil sourced
(FY 2021/22)

99.6%

Our main palm oil suppliers for the 2021/22 reporting year were: AAK, Agropalma, Cargill, Daabon, EULIP, Fuji Oil, Graincorp, ISF, Lipidos Santiga, Musim Mas, Unifiji, Unigra, Bunge and Olam.

21. Centre de coopération internationale en recherche agronomique pour le développement – [Le Cirad en bref | Cirad](#).

22. Ferrero, Thorntons, Fannie May, former Nestlé US confectionery business and ICFC.



Our alliances and partnerships

We are members of many important organisations through which we contribute to the development and adoption of stronger standards for sustainable palm oil.

RSPO

The [Roundtable on Sustainable Palm Oil \(RSPO\)](#) was established in 2004 to promote the growth and use of sustainable palm oil products. Ferrero is a certified member and on the RSPO Board of Governors since June 2020. The RSPO has developed a set of environmental and social criteria for producing Certified Sustainable Palm Oil (CSPO). It has more than 4,000 members worldwide; they represent all links along the palm oil supply chain and will produce, source or use only CSPO.

POIG

The [Palm Oil Innovation Group \(POIG\)](#) focuses on creating and promoting innovation in the palm oil industry, to build on RSPO standards and address additional critical issues. Founded in 2013, it was developed by leading NGOs and progressive palm oil producers. We have been a member since November 2015. As POIG approaches its tenth year, in 2023, it will describe its journey, lessons, outcomes and challenges in a series of reports that mark the formal conclusion of the initiative.

HCSA

The [High Carbon Stock Approach \(HCSA\)](#) is a methodology that distinguishes between forest areas needing protection, and degraded lands with low carbon and biodiversity values

that may be developed. The aim is to provide a practical, accepted and scientifically credible approach to halting deforestation in the tropics, while respecting the livelihoods of local people. We have been a member since October 2019.

EPOA

Since 2012 [European Palm Oil Alliance \(EPOA\)](#), a business initiative that collaborates with national initiatives in different European countries, has strongly supported the uptake of 100% sustainable palm oil and facilitated science-based communication about the nutritional and sustainability aspects of palm oil.

After setting up and effectively implementing the EPOA strategy in the past decade, the EPOA board members decided to officially dissolve the initiative as of 1 January 2023.²³

FONAP

As a member of the [Forum for Sustainable Palm Oil \(FONAP\)](#), in 2022 we embarked, alongside other FONAP members, on a pilot project in Indonesia: From sustainable palm oil to sustainable landscapes²⁴ designed to support smallholders in palm oil cultivation in operating more sustainably, pursuing ecological practices such as social forestry, water management, natural resources protection and regenerative agriculture, as well as improving social aspects.

23. EUROPEAN PALM OIL ALLIANCE (EPOA) [Home](#) > [European Palm Oil Alliance](#).
24. FONAP-Project Indonesia – [FONAP-Project Indonesia](#) ([forumpalmoel.org](#)).



Milk and eggs

Milk

To ensure control of the quality of ingredients and ensure constant freshness, taste and safety, we develop and nurture long-term relationships with dairy partners, who we select according to strict standards. These relationships enable us to strengthen our 'controlled, short supply chains', and pay particular attention not just to milk quality, but to ensuring responsible dairy sourcing as described in the three pillars of our Charter: social practices, environmental responsibility and animal welfare assurance.

We adhere strictly to national production regulations on raw milk and other dairy products. These regulations may vary from country to country, and cover milk-quality parameters such as the absence of antibiotics, as well as its classification and composition. We apply our high standards globally, regardless of the level of local regulations.

Through the controlled supply chain, we are developing a streamlined system of traceability, going beyond current industry practices, to provide a clear picture of the path from farm to product.

Ferrero Farming Values for Milk

Building a comprehensive programme for animal welfare and the sustainability of our dairy supply chain is a challenging objective. It involves working with our supplier partners, and the entire supply chain, to assure protection of human rights, improved social practices, reduced environmental impact, and a guarantee of high animal-welfare standards.

Working with FAI Farms and our own experts, we continue to develop our Ferrero Farming

Values programme for milk, using science to shape our strategy. Every year, FAI Farms provides us with the latest scientific research through the 3E report, covering ethics, environment and economics.

By building our own knowledge, and working with our supplying partners to gain insight into the current sustainability capabilities and practices in our supply chain, we keep working with our suppliers towards dairy industry that is good for people, animals and the environment.

Ferrero Farming Values for Milk, through our Dairy Charter published in 2022²⁵, outlines our ambition within key focus areas and describes, under three pillars, a set of targets and actions designed to achieve our ambition.

We recognise that to create a shift towards sustainability in dairy farming, we have a role in bringing relevant stakeholders together, engaging in constructive dialogue and identifying shared causes and solutions.

SAI Platform

Ferrero has been a member of the SAI Platform since April 2016. The platform was created by the food industry in 2002 to promote the worldwide development of sustainable agriculture. It involves more than 150 members representing different parts of the food chain, such as cooperatives, traders, retailers, processors and brand companies. It supports agricultural practices and production systems that meet a definition of sustainable agriculture as "the efficient production of safe, high-quality agricultural products, in a way that protects and improves the natural environment, the social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species."²⁶

Eggs

In Europe, all the eggs we use come from cage-free barn production systems that provide better welfare conditions for laying hens. Although this accounts for around 93%²⁷ of all the eggs we use, we aim to source eggs from cage-free systems throughout our global supply chain. This will involve working with our suppliers to provide cage-free eggs for two further factories, in Turkey and Mexico.

Beyond housing conditions, our egg supply chain is fully integrated, in that suppliers control the lifecycle of animals and their feed.

25. [Dairy Charter light \(ferrerosustainability.com\)](#)

26. [FAI Farms](#)

27. For fiscal year 2021/22 the eggs used in the European plants production were 93% of the total eggs purchased that year.

European cage-free eggs (FY 2021/22)

100%

FERRERO

Dairy Charter



01

02

03

Human rights and
social practices

Environmental
protection/sustainability

Supplier transparency

Ferrero commits to work with suppliers to:

Optimise farmers'
resilience and economic
viability

Measure and improve
CO₂ footprint and Animal
Welfare

Implement 100%
traceability up to farm
level

The three pillars are founded on a **DUE DILIGENCE PROCESS** which covers all Ferrero suppliers.

Sugar

We have a long-standing commitment to building strong, trusting relationships with the agricultural cooperatives and producers that supply our sugar.

In fiscal year 2021/22, our sugar purchases were approximately 22% refined cane sugar and 78% beet sugar. We source beets mainly from European producers, and our sugarcane comes mainly from Brazil, India, Mexico and Australia. To help us source from other sugar-producing countries, we have created a selection procedure for new suppliers to guarantee that the raw sugar always meets our high-quality criteria.

A challenging context

During 2022, world sugar production, as with other agricultural commodities, faced an extremely challenging situation due mainly to extreme weather conditions, such as draughts and heavy floods, in the main producing regions, as well as an uncertain energy supply related to geopolitical conflicts.

In addition, the sector faces critical socio-economic and environmental challenges, including low remuneration for farmers and poor health and safety conditions in some of the producing countries. The risk of biodiversity loss and potential pollution of land and water are also some of the most critical environmental issues to address.

Our distinctive sourcing approach

We have developed long-standing partnerships with suppliers who provide us with high-quality sugar. To expand our sustainable sugarcane supply chain, we systematically evaluate potential new sustainable strategies, assessing available certification schemes to understand their strength, impact and cost-efficiency. Since 2010, we have been a member of Bonsucro, a global multi-stakeholder non-profit organisation that promotes sustainable sugarcane production. Bonsucro supports approximately 27% of all the world's sugarcane land, and that proportion is growing. We see Bonsucro as a strong partner in promoting and accelerating sugarcane sustainability in different countries.

Tackling environmental and social issues in sugarcane

Certifications and standards

Collaboration has been vital to improving our sustainability, and we have developed long-standing partnerships with trusted suppliers.

As one of the biggest chocolate-producing companies in the world, we aim to influence meaningful positive changes across our supply chain, and our leadership encourages improvement within several producing regions. Using our significant presence in the market, we look to inspire others to join the movement for a responsible sugar supply chain.

Industry-wide changes

As upcoming regulations bring stricter requirements for supply-chain due diligence and human rights, it is more urgent than ever that all market participants get further involved in raising sugar sustainability standards.

With the climate crisis having such an impact on the planet and its population, in addition to the fact that food systems account for roughly one-third of total GHG emissions²⁸, being responsible about the way we source is an urgent matter, both for the planet and for business performance. In 2021, a report by CDP²⁹ revealed environmental supply-chain risks could cost companies \$120 billion by 2026.

Beyond compliance, the increasing concerns about societal and environmental issues are critical for transparent supply chains. Collaborating with our suppliers is key to keep assuring supply-chain visibility for our customers and consumers. Therefore, we have a long-standing commitment to continue building strong, trusting relationships throughout our sugar supply chain.

What have we achieved?

All our refined cane sugar is certified by Bonsucro (through the accepted mass balance method and through credits³⁰). This represent 64.17% of the sugar supply.

Refined cane sugar certified by Bonsucro (FY 2021/22)

100%



28. Food systems account for over one-third of global greenhouse gas emissions | UN News

29. CDP Estimates Environmental Supply Chain Risks to Cost Companies USD 120 Billion by 2026 | News | SDG Knowledge Hub | IISD

30. Bonsucro credits are proof that a unit of sugarcane has been sustainably produced to Bonsucro's Production Standard. Credits reward Bonsucro-certified mills and farms for their commitment to sustainability, and a portion of fees from Bonsucro credit sales are invested directly in local initiatives for other farms and mills to adopt more sustainable practices. In fiscal year 2021/22, Bonsucro credits accounted for around 64% of the total certified volume.

Other ingredients

In addition to our main raw materials, we source several other ingredients, where we promote the same sustainability criteria.

Coffee

We source coffee from supplier partners that are Rainforest Alliance/UTZ certified, mainly from four origins: Brazil, Costa Rica, Dominican Republic and Colombia.



Soy lecithin

We source our soy lecithin from Brazil, India and EU countries. More than 75% of our sourcing is Proterra-certified.



Coconut

We adhered to the industry Coconut Charter framework³¹, co-developed with partners within the Roundtable on Sustainable Coconut, now called The Sustainable Coconut Partnership, and we are working on applying its ambition and principles for coconut sustainability programmes.

The Sustainable Coconut Partnership started as a series of meetings in 2019. It brings together buyers, processors and others involved in coconut supply chains to find solutions and share investment approaches in establishing cost-effective sustainable coconut value chains, and supporting farmers' livelihoods.

It now plans to formalise its approach as an organisation during 2023, aiming to catalyse responsible coconut production and major market transformation by establishing industry-wide best practices and impact programmes, and further harmonising industry requirements to their supply-chain partners.



Shea

Shea butter is processed from shea nuts and is used to enhance the taste and consistency in our products. The shea tree grows wild and can be found only in the Sahel belt of West Africa. The tree is very important for countries in the region, as its fruit provides nutrition and income for the population in rural areas, and the bark, leaves, sap and roots are used for traditional medicinal purposes. The trees also contribute to the prevention of desertification.

Traditionally, women collect the shea fruits, which make up a significant proportion of the local diet. The kernels are boiled, shelled and dried. Some kernels are kept for household use, and the rest are sold. The income from selling the kernels enables families to pay for school fees, clothing and farm equipment.

Nearly 2 billion shea trees grow naturally on parklands in 21 African countries stretching from Senegal to South Sudan, while 16 million women living in rural communities individually collect fresh shea fruits and kernels for processing. Shea offers technical and health benefits as a cooking oil and is used as a food and cosmetic ingredient. Today, more than half of all shea export is processed in West Africa as shea butter, shea stearin and shea olein. With approximately 800,000 tonnes collected each year, global demand for shea has grown significantly due to new shea applications in food and cosmetics, and increased investment in supply expansion and processing. The shea industry provides a critical source of jobs and incomes to often poor and under-served communities.

Since 2018, Ferrero has been a member of the Global Shea Alliance (GSA). Established in 2011, the GSA is a non-profit industry association with 560 members from 35 countries, including women's groups, brands and retailers, suppliers, and NGOs. The GSA aims to be the premier platform for the strategic interests and practical needs of its members, shea stakeholders large and small worldwide. The GSA's mission is to design, develop and run strategies that promote a competitive and sustainable shea industry worldwide, and to improve the livelihoods of rural African women and their communities.



31. [Home | Coconut and coconut oil Roundtable \(sustainablecoconutcharter.com\)](#)

Case study

Kolo Nafaso

We support Kolo Nafaso, a direct sourcing programme that is empowering women and is enhancing responsible sourcing of shea kernels through our shea supplier AAK, for whom we are the largest customer and contributor. The programme provides support, interest-free micro loans, training and direct trade for women who collect shea kernels.

Why has Ferrero chosen to support Kolo Nafaso?

The primary difference between Kolo Nafaso and other sustainable sourcing programmes in shea is its sheer scale. AAK reaches nearly 300,000 women through the programme – plus their families, or 8% of the women estimated to work in the shea export trade. **It is estimated that Ferrero has supported about 61,000 women directly through the partnership.**

In addition, Kolo Nafaso is founded on true direct trade, with a network of AAK's own employees working closely with relatively small groups of women, ranging from seven to 400 members. This differs from larger cooperatives, because it builds strong relationships, and AAK knows the women in the programme personally.

Furthermore, the partners are committed to Kolo Nafaso for the long term. It has been running since 2009 and has evolved way beyond a project, becoming the preferred way of doing business. It has also been verified through an annual external audit by Proforest since 2020.

In a 2019 survey, 96% of women confirmed that the prefinancing through the programme is good for them, with 81% of women saying the money supported them at the right time of year.

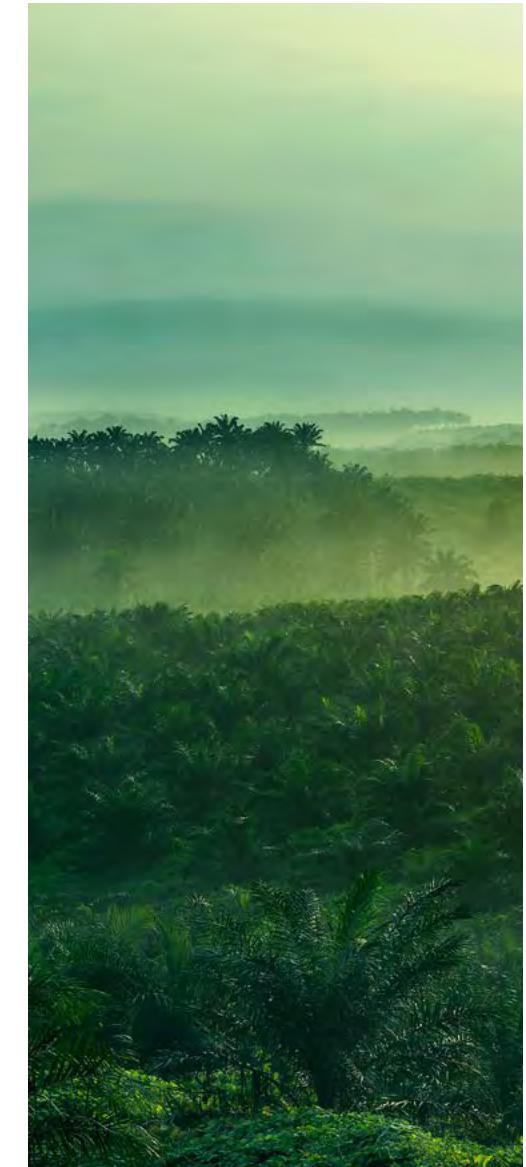
What makes it special?

- Large-scale impact:** As many people as possible should benefit from Kolo Nafaso or any intervention added.
- Truly direct:** Extension officers facilitate every existing and new activity.
- Long term:** No short-term projects; we're in it for the long run.
- Fully verified:** It follows transparent procedures and has been fully verified by an external partner.

2022 has been a challenging year for shea sourcing operations in West Africa. Due to worsening security in Burkina Faso, the Kolo Nafaso programme was not able to maintain commercial relationships with all women's groups, as the supplier had to prioritise employees' safety. However, Kolo Nafaso continues to do business with nearly 300,000 women in Burkina Faso, Ghana and Ivory Coast. 2022 weather conditions also impacted shea production. However, the women preferred to sell their harvest to Kolo Nafaso rather than the traditional supply chain, which supports the fact that Kolo Nafaso meets the needs of shea collecting women, shea-processing businesses and consumers.

61,000

women supported by Ferrero directly through partnership.



Our sustainability progress (continued)

03

Promote responsible consumption

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How we promote responsible consumption

We strive to offer high-quality products and freshness and always endeavour to communicate responsibly.

Why does it matter?

Consumers enjoy our products in more than 170 countries, and it is our responsibility to ensure these products meet high standards of safety and quality, and to recommend that people consume them as part of a balanced diet with an active lifestyle.

Food plays a central role in our lives and societies, both as a necessity and a pleasure. Thus, the way it is produced, marketed and eaten should contribute to wellbeing and health. As one of the world's biggest chocolate and confectionery producers, we consider nutrition, health and lifestyles to be material issues for our sustainable approach. Obesity rates are rising around the world, including among children and adolescents. It's a complex issue with many causes, but the increasing focus on diet and health has put a spotlight on food producers' marketing and communications.

As a leading confectionery company, we must ensure our marketing communications and product labelling help consumers make appropriate choices about the foods they buy and consume. Marketing to children can be a sensitive area, as children can be highly receptive to messages but lack the maturity to form well-considered judgements. Thus, we aim our product marketing communications at adults and parents, and ensure it is consistent with the principles of conscious consumption, physical activity and personal choice.

Our approach

Our Quality Policy is designed to ensure high quality and maximum freshness when each product is consumed, as well as product and packaging design that complies with environmental standards and avoids unnecessary waste.

All our production sites are subject to internationally recognised quality certifications such as Quality Management System certification, ISO 9001, and FSSC 22000 for food safety. Safety-oriented design is particularly important for developing Surprise toys, and all KINDER® Surprises must comply

fully with international regulations and our own standards. To ensure the quality and freshness of our products, we measure perceived product quality at many different stages, including point of sale. Our Ferrero Supplier Code also requires inspections at our suppliers' production sites to ensure the security and quality of supplies. With regards to marketing and labelling, the annual performance to our commitments is certified by independent, third-party organisations.

Our approach addresses both diet and lifestyle and is shaped by the latest science on food nutrition.

We focus on:

- Offering serving sizes that let consumers manage their daily energy needs within their overall diet.
- High-quality ingredients that provide essential energy and micronutrients.
- Food education, including information on ingredients, and suggestions for balancing meals and snacks.
- Encouraging people to have active lifestyles through our educational programme, Kinder Joy of moving.



Product quality and safety

A quality product requires high standards of performance and seamless execution. Attention to detail and consistent quality does not only matter in our manufacturing, but throughout the entire Ferrero supply chain.

Product and ingredients quality and safety

Our Quality System operates globally through our Central Quality Department and Local Quality Departments in our various commercial and industrial subsidiaries. The Group Quality Organisation supervises the entire value chain, from raw materials to market. It works in close contact with local teams to define quality and food-safety objectives, and periodically monitors performance through a complex system of indicators and auditing procedures. We publish quality results periodically for all relevant departments and our corporate management.

Our factory in Arlon was closed on 8 April 2022 further to evidence produced by authorities of a possible link between cases of Salmonella and our products. After a product recall and close cooperation with the Belgian Food Safety Authority (AFSCA), the plant restarted production in July 2022, with a permanent authorisation granted on 16 September 2022. Ferrero has prioritised quality and high food safety standards throughout the company's 77-year history.

To ensure that this remains an isolated event, and as part of our commitment to continuous improvement, we have made and continue to make significant investments into a comprehensive set of preventive measures. These include further strengthening quality and food safety procedures and collaboration with food authorities and external industry experts. Performance data such as energy efficiency and waste generation presented in this Report have been slightly affected by this event, as it refers to the period 1 September 2021 – 31 August 2022. Our FSSC certificate was suspended in April 2022 and reinstated on 29 July 2022.

Our Quality and Food-Safety Policy
As stated in our Quality and Food-Safety Policy, our mission is to work together to develop strategy, competencies and people, leading the overall Ferrero team to ensure safe, responsible, sustainable, high-quality products that offer the best consumer experiences, connecting people now and in the future. To achieve this, our business model is built to:

- Promote a quality and food-safety culture, strengthened by engaging our people.
- Achieve product quality and freshness throughout the value chain in all global markets.
- Integrate our quality and food-safety management system globally across the business.
- Protect our brand reputation through effective risk management.

- Ensure continuous improvement by standardising the monitoring and analysis of our primary processes, and our quality and food-safety objectives.
- Manage information on quality, through various communication resources, both internally and externally.

Attention to consumers' feedback

During fiscal year 2021/22, we carried out 879,256 store visits worldwide to monitor the trade age (freshness) of finished products, and their temperature in store. In 424,414 of these visits, auditors behaving as shoppers assessed the perceived quality of our products at the point of sale, checking for visual defects against a list defined specifically for each product.

To ensure each product complies with its sensory profile, we carry out a sensory evaluation in addition to the usual laboratory tests. This assesses all organoleptic attributes of a product (how it affects the sense organs), as well as its aesthetic appearance and presentation. Tasting and sensory evaluation activities include:

- Raw-material taste tests during the delivery phase.
- Taste tests of semi-finished and finished products from the production line, during the production phase.
- Quantitative descriptive analysis by a trained panel of tasters in our central product observatory and at production units.

Our quality-tasting panel involves trained testers across the globe. We conduct tasting sessions monthly at all our sites and in our central tasting laboratory in Alba to verify and guarantee the excellence and consistency of the sensory profile offered to our consumers. All assess the sensory performance of our products according to the Ferrero Group Tasting Procedure. We have developed customised global software, designed to ensure visibility of all the results of the tasting sessions at our sites and business units.

Within the Commercial Quality Development department is organised the Consumer Contact Methodologies function.

With the objective of obtaining and maintaining consumer satisfaction, this function has the scope to organise and constantly reinforce the best conditions to answer and provide solutions to our consumers' requests.

In providing consumers with information and support, our company is also continually improving product quality, by systematically analysing our consumer feedback.

Our company is using the sole Customer Relationship Management (CRM) tool, called Ferrero CARE, and consumer feedback is classified according to a uniform set of definitions, procedures and operating methods that apply to all our affiliates. Attention is given to accessibility and 31 Contact Centres over the world are managing the one-to-one relationship with our consumers.

The advanced standards of Ferrero plants
In our production plants and those of our main sub-contractors, we use integrated SAP software to distribute and monitor centrally all data on quality-control processes.

We have a rigorous quality system, guaranteeing product excellence at all our production sites globally. We also continuously monitor, and aim to improve, the quality standards of our sites through a structured quality-monitoring system that covers all quality processes across the value chain. This includes standardised inspections by qualified personnel in all our plants, warehouses and contractor premises, verifying the correct application of our stringent standards, and identifying opportunities for improvement.

Our corporate quality audit system is the ultimate level of assurance, assessing compliance to our standards throughout the value chain. To ensure the effectiveness of our entire quality system, all our production sites are subject to internationally recognised quality certifications by accredited third-party bodies. The international standard we use for quality-management-system certification is ISO 9001, and our food-safety-management system has been certified to the FSSC 22000 standard across all our production plants. In addition, other certified management standards are required locally, based on market demands or statutory requirements.

As part of a continuous process of adaptation, for each new production plant, we promptly activate the certification procedure for the two international standards referenced above – for example, at our most recent acquisitions, at Alzira in Spain and Castel D'Ario in Italy.

New certifications

ISO 9001:2015 – Certification of the Ferrero quality-management system

Within the framework of ISO 9001 certification, the third-party body sampled four plants last year. They carried out surveillance audits at Balvano (Italy), Cork (Ireland), Hangzhou (China), Poços de Caldas (Brazil) and Brantford (Canada), and at the company headquarters in Luxembourg. Franklin Park and Somerset (US) received their initial certification audit successfully. All six HCO manufacturing sites were audited: Agrichile (Chile), Duzce, Entegre, Izmit and Keles (Turkey), and Korvello (Italy). Overall, the external audit results were positive, with no major 'non-conformity' issues.

FSSC 22000 – Certification of the Ferrero food-safety system

All our certified production plants were audited in fiscal year 2021/22 to verify compliance with FSSC 22000¹. The overall outcome was positive, with no critical 'non-conformity' issues. North Canton and Somerset (US) received their initial certification audit successfully.

Traceability and safety of raw materials

We have always taken great care when selecting raw materials and packaging. In fact, it is the quality and freshness of our ingredients and materials that determine the sensory attributes of our products, and this is why we have developed innovative internal procedures to ensure the highest quality. An example is our 'sacco conosciuto' (or known bag) of historical suppliers, which informs the procedures our food technicians carry out – such as sensory evaluations and analysis, supplier inspections and food-safety practices – to guarantee a raw material's traceability across the chain of custody.

We select and evaluate all our suppliers using a defined set of criteria and an electronic platform that connects them with our food technologists. The Ferrero Commercial Code of Conduct also requires continuous inspections at suppliers' production sites, during which we implement specific controls on systems and procedures to ensure the security and quality of the supplies.

All plants use a specific internal Group protocol, in line with modern risk-analysis standards, to define the type and frequency of the physicochemical, microbiological, and organoleptic controls that must be performed on samples from incoming materials.

In fiscal year 2021/22, across 27 Ferrero production plants² and six HCo manufacturing plants, we carried out:

- 1,677,898 controls on raw materials, including physical, chemical and microbiological analysis, in addition to controls on semi-finished and finished products; and
- 1,065,898 controls on primary and secondary packaging, including organoleptic and defect-detection tests.

1. Alfreton plant is not FSSC 22000 certified.

2. Italy: Alba, Pozzuolo Martesana, Balvano, S. Angelo Dei Lombardi; France: Villers-Écalles; Germany: Stadtallendorf; Ireland: Cork; Ecuador: Quito; Belgium: Arlon; Poland: Belsk Duzy; Argentina: La Pastora; Brazil: Poços De Caldas; Cameroon: Yaoundé; Canada: Brantford; South Africa: Walkerville; Idia: Bararamati; Russia: Vladimir; Mexico: S. José Iturbide; Turkey: Manisa; China: Hangzhou; United Kingdom: Alfreton; USA: North Canton, Bloomington, Franklin Park; Spain: Alzira, Castel D'Ario.

Product quality and safety (continued)

Quality and safety of our **KINDER® Surprise** toys

Safety is a key pillar in the design process of our **KINDER® Surprise** toys. The Ferrero Toys Testing Protocol states that **KINDER® Surprise** toys must comply fully with international toy regulations and standards, and with internal requirements. We entrust all our toy-certification tests to independent, accredited laboratories that are world leaders in safety research, testing and certification.

International standards and regulations

We apply the following international regulations:

- European directive on toy safety 2009/48/CE.
- European toy-safety standards on mechanical, flammability and chemical requirements (EN71).
- International toy-safety standard ISO 8124.
- National toy regulations and standards of all the countries where we commercialise **KINDER® Surprise** toys (for example, ASTM F963 standard for the US, Mercosur standards, Korean standard).
- Other regulations, such as REACH regulations, which relate to the registration, evaluation, authorisation and restriction of chemicals.

Ferrero internal requirements

Within the Ferrero Toys Testing Protocol, we carry out voluntary tests over and above those required by international regulations. We enforce strict guidelines for the dimension, shape and structure of any **KINDER® Surprise** toy and of all the parts that constitute each toy and avoid button-cell batteries and magnets. Also, we select only high-quality materials, to avoid

breakages and guarantee high design standards.

We carry out a thorough analysis of all **KINDER® Surprise** toys at the different stages of design development:

- Safety assessment: we run an extended safety assessment of every **KINDER® Surprise** toy, using accredited external laboratories and doctors.
- Medical check: a specialist team analyses and evaluates all **KINDER® Surprise** toys, based on accepted medical criteria.
- Age-grading evaluation: an independent third party evaluates all **KINDER® Surprise** toys according to internationally recognised age-grading guidelines, to confirm they are suitable for, and appeal to, only children over three years old.
- Toy-certification tests: five independent laboratories accredited in safety research and certification test all **KINDER® Surprise** toys against safety standards.

We implemented a code of conduct, the Ethical, Social and Environmental Requirements for Suppliers of **KINDER® Surprise** toys, to ensure they operate in compliance with our requirements on working conditions. This code is as rigorous as the most advanced international ethical codes. Manufacturers undergo a strict audit, performed according to the four pillars of SMETA methodology – labour rights, health and safety, environment, and business ethics. Moreover, two certified and globally recognised third-party bodies – Bureau Veritas and Intertek – inspect **KINDER® Surprise** toys manufacturers to ensure they comply with our ethical requirements.

Case study

The Value of Play

For over 40 years, we've been bringing a smile to kids' faces with the buildable **KINDER® Surprise** toys inside our eggs. We work with experts in child development to design toys that can promote joyful growth through shared family-play moments. To support these moments, we develop 'edutainment' themes. For example, the buildable animal toys of our Natoons collection are

designed to spark children's imagination and support storytelling and discovery while playing. All **KINDER® Surprise** toys come to life in augmented reality on the Applaydu app, to offer a new 'phygital' playing experience, shared within the family, where kids can learn about animals and the unique beauty of nature.



Case study

The Appplaydu app

We designed Appplaydu, working with Gameloft and Oxford University, with the objective of developing a fun and engaging digital gaming experience, while ensuring it was accurately crafted to support a child's development.

The Learning for Families through Technology (LiFT) project is a collaboration between Ferrero International, Gameloft and three research groups in the Department of Education at Oxford University: Applied Linguistics, Learning and New Technologies, and Child Development and Learning. LiFT is aimed at developing and evaluating the educational potential of app-based interactive activities for children and families.

The Appplaydu app is COPPA 2.0 certified and received the highest score on the Educational App Store. It's tested carefully with children and parents, integrating their feedback before any major release. The app complies with the EU Pledge, and it does not contain KINDER® branding or products, ads, marketing messages, or in-app purchase features. Also, it reassures parents about the way kids spend their time on digital devices, both in the length of time and the quality of the contents.



Nutrition, health and lifestyles

By 2050, the global population is expected to reach 10 billion. As it stands, the way we produce and consume food as a society is pushing the planet and its systems to the limit.

As one of the leading companies in confectionery, we want to help bring about the necessary changes by applying a system-wide approach, encompassing agriculture, food, nutrition, health, livelihoods and the environment. With this aim, in 2020, Nutella established, and continues to support, the Sustainable Nutrition Scientific Board (SNSB), a group of renowned international experts brought together to independently investigate and communicate the importance of sustainable nutrition.

Research by the SNSB during the last two years has found very low-quality data in nutritional databases, with obsolete data or very few analytical tools being used³. These findings have posed important questions about the science-based approach needed to define matters such as dietary guidelines, and are challenging the scientific community to discuss a new definition of food quality. Getting the right food and nutrients involves assessing the healthiness or nutritional quality of foods, as well as food safety. Promoting a healthy diet is everyone's responsibility, but it's clear that the science-based approach needs reliable data on which to base practical guidelines for all stakeholders.

Our approach

We produce and market some of the world's best-loved confectionery products, and believe all foods can be enjoyed as part of a varied and balanced diet, without excluding or condemning specific ingredients or nutrients. We also support the growing evidence that the health effects of dietary habits are derived from all food components and their interactions, and not from a single nutrient or food type.

One of our main goals is to respect consumers' choices, by providing clear information to help them make responsible consumption choices. In line with scientific evidence, our strategy is based on the following key principles:

- Offering our products in carefully defined serving sizes that allow consumers to manage their daily energy needs within their overall diet.
- Carefully selecting high-quality raw materials that provide essential energy and the right level of micronutrients. We preserve the quantities and proportions of these ingredients' natural components through strategic industrial processes that maintain their physiological character.
- Promoting ingredients, foods and structured eating occasions that can be integrated into food-education programmes for consumers and validated by the medical-scientific community.
- Educating on the importance and benefits of an active lifestyle.

3. Ferraz de Arruda H., Aleta A., Moreno Y. [Food composition databases in the era of Big Data: Vegetable oils as a case study](#). Frontiers in Nutrition. 2023 Jan.

Case study

INDIANA JONES: INnovate JOining Nutrition and Environmental Sustainability

Ferrero believes sustainable nutrition to be the solution for overcoming food-system challenges. Unless we work towards healthy diets, based on sustainable food systems, we will be unable to meet the Sustainable Development Goals (SDGs) set by the United Nations and reduce our environmental impact.

However, integrating nutritional and sustainable principles into our operations is a complex task. For this reason, in 2021, we started to develop an internal approach where environmental and nutritional factors lead the development and reformulation of new products and recipes.

To take this approach forward, our Nutrition and Sustainability Department, within the Technical and Scientific Direction of Soremartec, created a design tool called INDIANA JONES: INnovate JOining Nutrition and Environmental Sustainability. The aim is to create a science-based methodology to support a decision-making process aligned with our climate and nutritional goals. This will support R&D teams in applying nutritional and sustainability markers when selecting

raw materials for the development and reformulation of new products, and in adopting into the final evaluation and choice rigorous parameters linked to a sustainable approach.

Developed with the help of international experts, this unique methodology measures the environmental impact of new ingredients and recipes, adding nutritional criteria to the use of environmental markers for the first time.

We continue to expand and refine our analysis of the nutritional impact of our products⁴. In fiscal year 2021/22, our analyses included the products of our recent acquisitions (Thorntons, Fannie May and the former Nestlé US confectionery business). We are aligning these, step by step, within the pillars of our historical range of products. We assessed 127 product-data records⁵ (PDRs) covering around 96%⁶ of our core marketed volumes.

Breakfast and 'between-meals eating episodes' (BMEE) are confirmed to be the most common eating occasions for our core products, covering around 80% of our marketed volumes. This role of our products within consumers' eating habits aligns with the sweet-packaged-food sector. We contribute to efforts to promote the importance of having breakfast regularly, and to encourage moderate food consumption among all age groups, especially young people. The final goal is to promote efforts from every part of society.

Great brands in small servings

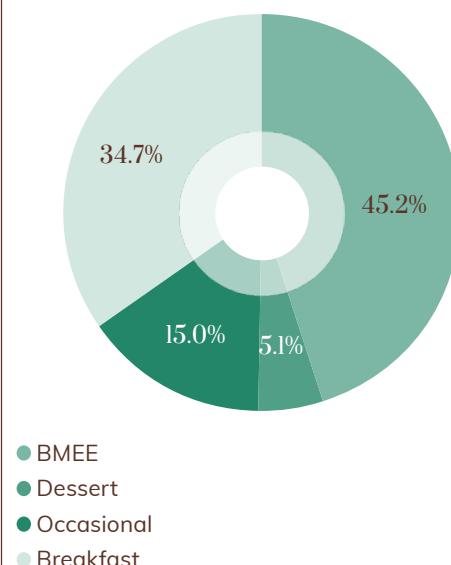
We offer most of our products as single-wrapped servings. This lets people enjoy them within a varied diet, in serving sizes of a reasonable calorie content.

In accordance with our nutritional principles, in fiscal year 2021/22 around 86% of our marketed volume has a serving size containing 130 kcal or fewer, around 65% were marketed in a serving size of 100 kcal or fewer and around 9% exceeded 150 kcal per serving.

We are working to apply the common standard of our historical Ferrero products to the newly acquired commercial brands and entities. Our focus on consumers means we take a step-by-step approach to changing the standards of new brands, to let those who buy them adapt gradually to our core nutritional principles.

We have scientific data on the Glycaemic Index (GI) of around 84% of the core marketed volumes eligible for our Sustainability Report.

Repartition of the PDRs according to the target eating occasions, on marketed volumes*



The GI is a relative ranking of carbohydrate in foods according to how they affect blood glucose levels. Carbohydrates with a low GI value (55 or less) are more slowly digested, absorbed and metabolised. They cause a lower and slower rise in blood glucose (and, therefore, usually insulin levels), and there is a general scientific consensus supporting the positive effects of a 'low-GI' diet⁷.

Due to their composition and structure, the vast majority of our analysed PDRs have a low (55 or less) or medium (56–69) GI: around 86% are rated low GI, around 7% medium, and only 7.5% high GI (70 and above). We determine the GI of new products when they are launched and stabilised on the market.

Our science-led approach

Food education is an efficient and effective way to promote conscious nutrition and healthy diet choices. Our research and education programmes are constantly expanding to include new ways of improving food and nutrition knowledge within our own company. We work with recognised experts in different scientific fields to spread information among our employees (for example, within the Wellbeing Month initiative, our Product Nutrition Department gave a lecture with a nutrition focus). We also keep up to date with the latest science-based data on the impact of ingredients and our products on human and planetary health.

Consequently, we are improving our definition of the nutritional quality of raw materials and their processing, and increasing our knowledge and control through innovative food-quality markers, such as oxidised sterols. A still-growing body of scientific evidence supports the use of this class of oxidised compounds in assessing the quality of animal-based ingredients in manufacturing and the shelf-life of finished products, as well as in helping evaluate the quality of plant-based food or ingredients. We've shared our original findings with the scientific community, to help improve quality for the whole food system.

4. The nutritional analysis was carried out taking into consideration the EU regulation, while for the recent acquisitions, Fannie May and Nestlé US, they follow US regulations.
5. Product Data Records: aggregated products with similar nutritional characteristics (delta Energy <5% on average value among 'flavours/version' of the same product).
6. Exclusion criteria concern mixes (seasonal and stable products of which marketed values do not refer to a specific product), mini versions (when they do not report a codified portion) and some seasonal products (marketed for specific occasion for sharing and festive moments without a codified portion).
7. ScienceDirect, [Glycemic index, glycemic load and glycemic response: An International Scientific Consensus Summit from the International Carbohydrate Quality Consortium \(ICQC\)](#).

Nutrition, health and lifestyles (continued)

In fiscal year 2021/22, we carried out and supported scientific research with internationally recognised scientific institutes. We select and work with university research groups and well-known international experts, recognising their expertise and the importance of guaranteeing impartiality, independence and intellectual freedom. These collaborations aim to create solid scientific evidence to be disseminated through conferences, congresses and workshops, and published in scientific journals.

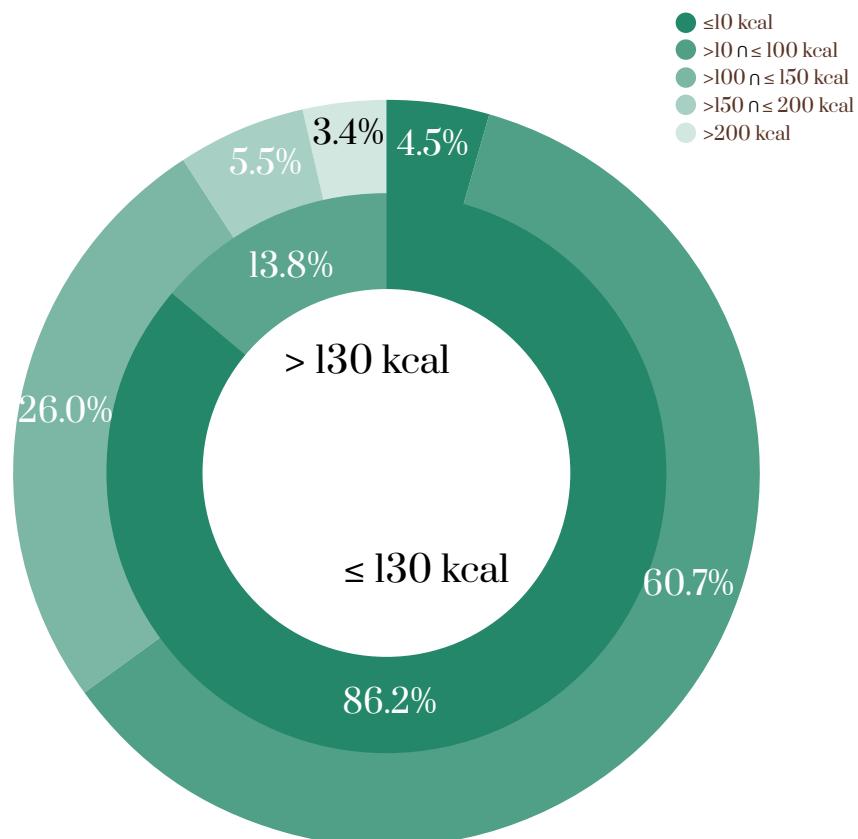
We publish an official list of research results on our website, showing the scientific work we have undertaken in the last year.

[Download the list of scientific research and conferences for fiscal year 2021/22](#)

Repartition of PDRs according to the energy delivered by portion, on marketed volumes⁸.

Calories	FY 2020/21	FY 2021/22
≤10kcal	4.3%	4.5%
>10 – ≤100kcal	59.5%	60.7%
>100 – ≤150kcal	28.7%	26.0%
>150 – ≤200kcal	6.0%	5.5%
>200kcal	1.5%	3.4%
≤130kcal	86.1%	86.2%

Repartition of the PDRs according to the energy delivered by portion, on marketed volumes*



*The total may not be exactly 100% due to rounding.

Commitments for products

Controlling the serving size of our products is a good way to limit the intake of nutrients typical in confectionery, such as sugar and fats. The majority of our PDRs within our historical brands already have 8.9 g or fewer total sugars per serving, 5.4 g and 2.9 g per serving of total fat and saturated fatty acids respectively, and 27 mg or fewer of sodium per serving.

Since 2006, we stopped using partially hydrogenated fats in our products, and this is in line with our International Food & Beverage Alliance (IFBA) commitment on product formulation and innovation. It is also fully in line with recent World Health Organization⁹ requests to limit industrial trans fats at a global level. We are delivering against this global commitment that means not using partially hydrogenated fats in our recipes. We are collaborating with all other stakeholders to support the achievement of this objective, and signed the Global iTFAs Commitment¹⁰ in May 2019.

In December 2021, we signed the Global Sodium Reduction Commitment¹¹, which sets voluntarily minimum targets for IFBA companies to meet by 2025 and 2030. We have committed for two categories: morning goods and sweet biscuits.

Learn more [here](#)

8. Volumes of PDRs marketed worldwide in FY 2021/22. Ferrero group internal source.

9. WHO welcomes industry action to align with global trans fat elimination targets.

10. IFBA, Reducing saturated fats & eliminating trans fats.

11. IFBA, Reducing sodium.

Responsible communications, marketing and labelling

We aim to use responsible messages that help consumers make appropriate choices about what they eat and drink. Communications and labelling help them understand the role of nutrition, diet and movement in achieving a healthy and active lifestyle.

Responsible marketing

As a leading producer of sweet, packaged foods, we must ensure our communications are consistent with the principles described above, helping consumers make responsible choices.

Responsible marketing can be a powerful force for behavioural change. We go beyond legal requirements by adopting industry nutrition labelling and advertising standards to improve our positive social impact. In Europe, legal standards include the Unfair Commercial Practice Directive and the Misleading and Comparative Advertising Directive. These work alongside global, regional and local industry self-regulatory codes. We also subscribe to industry codes of conduct on responsible marketing to children, such as the IFBA Global Responsible Marketing Policy and the EU Pledge. In 2022, we created and launched the Responsible Marketing Framework, an internal document containing crucial guidance to ensure we develop all our marketing initiatives in a responsible way.

Our approach

Voluntary self-regulation

We believe effective self-regulation serves the interests of consumers by providing truthful and accurate communications. In addition to local standards or regulations, we apply in all our marketing communications the 'Framework for responsible food and beverage communications' adopted by the International Chamber of Commerce, the world's foremost business organisation promoting responsible marketing and advertising communications.

We also apply the Global Responsible Marketing Policy set out by IFBA, of which we are a founding member. This Policy is in line with the aims of the World Health Organization's 2010 'Set of recommendations on the marketing of foods and non-alcoholic beverages to children'. We participate in the external monitoring of our voluntary commitments to assess compliance levels with national, regional or global industry pledge commitments.



Responsible marketing to children

We believe in the crucial role played by parents in educating their children to follow a balanced diet and a healthy and active lifestyle. All of our advertising and marketing communications are directed only to adults who make purchasing decisions, and are not designed to appeal to children under the age of 13. We work to ensure we achieve the highest possible level of compliance, and provide internal guidance and training tailored to the specific needs of different markets and regions. We have an e-learning module on responsible marketing to children, which is part of the Ferrero University and includes real case studies and a test for putting our principles and commitments into practice. We frequently update the Ferrero Advertising and Marketing Principles, available on our corporate websites, to stay aligned with the latest developments in self-regulatory frameworks.

How responsible is our marketing and advertising?

As part of the IFBA Global Responsible Marketing Policy, in 2022 the media-auditing firm Ebiquity carried out an independent assessment of IFBA member companies' compliance in television and digital advertising. Ferrero's compliance rate was 94% for television advertising and 99.87% for digital advertising¹².

99.87%

IFBA compliance for digital advertising

Our compliance with the EU Pledge is monitored annually and independently by Ebiquity¹³ for television advertising and by the European Advertising Standards Alliance (EASA) for brand-sponsored influencers, branded social-media sites and brand websites¹⁴. In 2022, our overall compliance rate was 97.55% for television advertising and 84.72% for online advertising¹⁵.

12. In Q1 2022, Ebiquity monitored TV advertising broadcast in Colombia, India, Japan, New Zealand and South Africa. In April 2022, Ebiquity monitored digital advertising in Australia, Germany, Indonesia, Mexico and Vietnam.

13. In Q1 2022 Ebiquity monitored TV advertising broadcast in Croatia, France, Germany, Italy, Poland and Spain.

14. In 2022, EASA monitored brand websites, brand-managed social-media sites and brand-sponsored influencers through evaluations carried out by the national advertising self-regulatory organisations in Austria, Belgium, France, Germany, Italy, Romania, Spain and Sweden.

15. 100% for brand-sponsored influencers, 87.5% for branded social-media sites and 66.67% for brand websites. From 1 January 2022 the EU Pledge commitment has been strengthened and requires companies to abide by the International Chamber of Commerce (ICC) Code of Advertising and Marketing Communication Practice and the ICC Framework for Responsible Food and Beverage Marketing Communications in all marketing communications.

Responsible communications, marketing and labelling (continued)

Supporting healthy lifestyles

We promote physical activity through national Ensemble Prévenons l'Obésité Des Enfants (EPODE)-based programmes in selected countries. The European Commission recognises EPODE as a best-practice model for bringing together stakeholders – including local authorities, health professionals, teachers, private partners and local communities – to prevent childhood obesity. We also provide financial support for the French project, 'Vivons en forme', a series of initiatives to promote the benefits of physical activity, nutrition and personal wellbeing among children and adults.

Open and honest labelling

We provide accurate nutrition information on the front and back of our packs, complying with relevant legislation in different countries and our voluntary commitments. Globally, we meet the IFBA Principles for a Global Approach to Fact-based Nutrition Information on eligible products. Its general principles are that nutrition information should be:

- Objective, based on facts and science.
- Presented in a legible, clear and visible format.
- Understandable to consumers so they can make informed dietary decisions about the food and drinks they choose.

In Europe, we voluntarily provide nutrition information on the front of pack of all¹⁶ our eligible products in the EU – Kinder and Nutella ranges, Ferrero snacks, bars and ice creams – in line with regulations and the labelling recommendations of FoodDrinkEurope. We also offer voluntary nutritional information on the front of packs outside the EU, in line with the IFBA principles.

The nutrition information displayed includes the energy value and – when appropriate – amount of nutrients per portion or per 100 g of product, as well as an indication of what this amount represents as a percentage of the daily reference intake guidance. In countries where a recognised reference intake does not exist or is not permitted, we display only the calorie content per 100 g or per portion.

16. This does not cover small packs or seasonal products, as the recommendation explicitly exempts such categories.



Our sustainability progress (continued)

04

Empower our people

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How we empower our people

Emotion, passion and values, generation after generation. This is Ferrero. And this is only possible due to **our people**.

We work to build a culture of trust, respect, diversity and opportunity for all. We care about our people and believe it is essential that we work at all times to create an inclusive company culture that uses the full range of its talents to respond to our business priorities.



Why does it matter?

We encourage a culture of managerial excellence and an inclusive mindset. As Ferrero continues to grow and diversify, our global workforce continues to be engaged and feels inspired to support our growth.

Our approach

We introduce Ferrero employees to the company vision when they join, and continue our employee engagement as guided by our People Centricity Strategy:

- Evolving our relationship with our employees, helping them be proactive about their career development, including through digital channels.
- Developing expectations of line managers as catalysts for change, through our Line Managers Excellence manifesto and programme.
- Enabling HR professionals to play a transformative role while helping managers to be accountable and proactive.

This people-centric mindset allows us to be better positioned to support and encourage our colleagues throughout their careers with us. We encourage everyone to grow and thrive as we enter a new, digitally enhanced era.

Our focus on people extends across the whole value chain, ensuring we uphold high standards of safety, and of human and labour rights, both in our operations and global supply chain. We apply a due-diligence-based approach that ensures our employees, suppliers and collaborators adhere to the standards set out in the Ferrero Code of Ethics,

Code of Business Conduct, Supplier Code and Human Rights Policy Statement (see page 39).

We also have an impact on society through our social activities:

The Ferrero Foundation – offering Ferrero Seniors (retired Group employees) a programme of creative, recreational and social activities, accompanied by social and healthcare services, and investments in promoting individuals and culture (page 79).

Michele Ferrero Entrepreneurial Project – creating jobs and supporting social initiatives that safeguard the health, education and social development of children and young people in the least-developed areas of emerging countries (page 80).

Kinder Joy of moving – our international social responsibility project that aims to bring the joy of movement into the life of every child, by promoting physical activity and an active lifestyle, in an easy, engaging and joyful way (page 81).

Diversity and inclusion matter. Since our inception, we have believed that a diverse and inclusive workforce, and strong values, are crucial to long-term business success. We motivate and develop our employees to improve their decision-making and consumer focus. Our colleagues' safety and wellbeing are paramount and we strive to manage any associated risks that may arise for them and our business.

We must engage all our people at all levels – that's over 41,000 employees in more than 50 countries – to continue our success and create a more diverse and inclusive work

environment, where everyone, regardless of their background, has equal access to opportunities and resources. We do this by listening and responding to their views, and creating a workplace where people feel valued and able to grow.

Respect for human rights is a key value within our operations and supply chains. We work with many parties to address worker safety, labour rights and children's rights, and to contribute to inclusive and thriving communities.

What makes you different makes us great!

"Ferrero's diversity and inclusion are assets. We believe that when we work, think and act to leverage those assets, we're seizing one of the greatest opportunities of our age. But saying it is easier than doing it. It requires leadership, from every one of us. It requires us to inspire, to influence, to challenge, to have the will and to be determined."

Mr Giovanni Ferrero, Mr Lapo Civiletti

Engaging our people

At Ferrero, we work continuously to create an inclusive culture where colleagues can contribute to the success of our company.

The year 2021/22 saw us return to a 'new normal' in most of our geographies as the effects of the pandemic subsided and social restrictions began to ease. This was also an opportunity to reflect on what we'd learnt and consider how we wanted to work in the future.

We knew we had to evolve to be more flexible, but at the same time protect our unique culture and way of working. In addition, we've developed further policies and initiatives focused on engaging employees at Ferrero. Key highlights over the last year include:

You Engagement Survey

We've continued the roll-out of plans based on the results of our 2020 employee-engagement survey. We also carried out an engagement survey in October 2022. This fourth edition of the survey has been available to almost 38,000 colleagues in 57 countries, and in 25 languages. The results informed a new cycle of Your Life in Ferrero Action Plan, the process that develops and launches initiatives aimed at improving the experience of Ferrero employees.

Digital workplace

We continue to encourage open and consistent communication. **Forward** is our digital platform, providing a place for company news, tools and applications, for everyone to access on any device, anytime, anywhere. It becomes increasingly inclusive as our company grows.

In 2021/22 we added support for two additional languages, Arabic and Marathi, and the platform is now available in 12 languages.

Continuous learning

As our company becomes increasingly international, and we evolve our governance and business model accordingly, we must also change our approach to developing people.

Ferrero University

We launched our flagship programme, Ferrerità, virtually this year, highlighting what makes Ferrero, Ferrero. We also started running the programme in the classroom, in some regions and in our HQ.

Two other mandatory e-learning modules within the Ferrero Fundamentals were launched, to further support our established compliance processes. All office-based employees around the world have completed the 8 Ferrero Fundamentals, and we are assigning them on a rolling basis to all new employees.

86% of the Know-How Academies training offer has been virtualised, enabling continuity at both a central and local level.

Mentoring

In 2021/22, we formalised our new mentoring process and communicated it to all Ferrero employees. To prepare our senior leaders for the role of Internal Mentor, Ferrero University developed and launched the Mentoring Certification programme. This was designed to boost mentor and mentee learning from different perspectives, maximise potential, and ensure continuity through knowledge



management, supporting employees during career transition, and fostering networking and corporate exposure.

The 12-month learning journey helps equip our senior leaders with the critical skills they need to enrich mentoring relationships: deep listening and formulating powerful questions, embracing diversity during conversations with mentees, deepening relationships through empathy, providing advice, and managing tough conversations.

Key training KPIs for the fiscal year 2021/22:

- 819,896 hours of training.
- 29,339 training participants.
- 21.8 training hours per head.

Performance-evaluation process

Our performance evaluation is based on employee achievement and behaviour across three dimensions: individual performance, contribution to the team, and contribution to the multifunctional team.

We have a continuous-feedback process, which enables our managers and employees to request feedback from peers and internal clients, encouraging openness and growth. They can use it not only during the performance-evaluation process, but all year long.

In fiscal year 2021/22, 14,427 employees, from 59 countries (73% employees, 19% middle managers and 8% senior managers and above) were involved in performance evaluation, of which 41% were women and 59% were men.

Master in International Management

Supporting our learner-focused approach, we've launched the new self-application process for one of the key programmes in our Leadership Pillar: MIM (Master in International Management), which we run in partnership with SDA Bocconi University. We received 113 applications and selected 40 managers, who started the 18-month programme in January 2022.

18

Month course

16

Dedicated SDA
Bocconi
professors

09

Modules:

- 3 face-to-face (96 hours)
- 6 distance learning with live webinars (120 hours)



Diversity and inclusion

We aim to build a diverse and inclusive culture, where all employees feel welcome and appreciated, and have equal opportunities. Diversity and inclusion (D&I) is part of the Ferrero Group's Strategic Plan and is key to our business success in the next decade.

Today, we have five dimensions that support our D&I agenda and serve as a compass in defining global priorities and aspirations for 2030: **Gender, Nationalities, Generations, Working Culture, and Persons with Disabilities (PwD)**.

In addition to the Group role of D&I Manager and a Group Council, 16 Regional D&I Councils are in place to pursue the local D&I agenda under the leadership of the Regional Managers. Altogether, 150 senior leaders are involved as council members in different countries.

Externally, we are a member of the D&I taskforce of the World Federation of Advertisers, we have a global partnership with Catalyst to promote gender equity in the workplace and we are a founding member of the Measuring for Change community (previously known as the Gender and Diversity KPI Alliance). We continue to partner with the Business Disability Forum.

Our approach to D&I is to identify opportunities to implement it in our daily work, with initiatives wide in their reach and impactful in their results, engaging Ferrerians in all functions and countries, and at all levels.

We continue to review our employee-lifecycle processes through a D&I lens, to reduce the risk of bias or discrimination at any stage – from sourcing and recruitment, through onboarding, performance management, learning and development opportunities, recognition and reward, and succession planning.

Pursuing our goal to increase female representation in management roles, we've piloted an Acceleration Programme in the Finance function. The pilot included eight finance professionals with the aspiration to take on a senior role in the Finance organisation (CFO or comparable). Each participant has an Individual Acceleration Plan, with a five-year career plan guided by their aspirations, and including specific training to develop their missing experiences and competences, along with mentoring and workshops supported by our partners Catalyst and Percipio, as well as internal facilitators. Following the success of the pilot, we will extend the programme to other functions.

Our employees' compensation is aligned with the market median¹ and, overall, we don't record significant gaps by gender. We've been improving our D&I data analysis, metrics, gaps assessment and pay-equity analysis, and will continue to do so.

In 2021/22, over 13,000 employees completed an online course on Preventing Discrimination and Harassment. This helps participants identify situations that can lead to harassment or discrimination and raises awareness of how we can all contribute to a positive workplace culture.

1. Competitiveness is assessed in a range of +/- 20% around the benchmark.

Case study

Parental Policy

The launch of Ferrero's Global Parental Policy was an important milestone in our D&I journey. The policy outlines several principles supporting new parents or caregivers and their families, to be adopted by all Ferrero companies. At the end of the 2021/22 commercial year, 11 of our regions have adopted and implemented it, and the remaining regions will do the same by the end of 2023.

Under the new policy, all Ferrero employees can benefit from paid leave as either a primary or accompanying caregiver when welcoming a new child into their family by birth, adoption or surrogacy. Also, we've defined a global minimum duration for parental leave for all employees: 16 weeks of paid leave for primary caregivers and 4 weeks of paid leave for accompanying caregivers. The policy also covers other aspects, including employment protection and non-discrimination in relation to parental leave, health protection, individual support for returning to work, flexible working arrangements, and support for nursing mothers.



Case study

Inclusion and Respect course

Our Inclusion and Respect course has been designed for Ferrero with our legal partner, Allen & Overy, to raise awareness of how we can all support and maintain an inclusive work environment. The training provides information and tools to foster a psychologically safe workplace, free from unconscious bias, and helps strengthen an inclusive and respectful culture resistant to discrimination. It also covers the legal concepts relating to different forms of harassment and discrimination, and provides guidance on how to recognise, respond to and report misconduct.

Between April and July 2022, all 1,300 employees in our Luxembourg headquarters completed the eight-hour course. We will now adapt it for other locations.



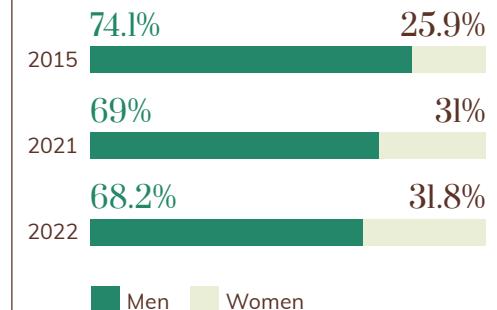
We've made progress and recognise there is more to do. We will continue to develop our D&I goals, including the representation of women in managerial positions, the promotion of a diverse workplace culture, the level of inclusion of different generations, the representation of different nationalities, and a specific focus on people with disabilities.

Within the scope of our Sustainability Agenda 2030, we have set the below long-term goals for 2030:

- Gender**
Increase the representation of the women in decision-making roles
- Nationalities**
Make leadership in the headquarters representative of our global presence
- Generations**
Increase levels of inclusion for different generations at Ferrero
- Working Culture**
Embrace different workplace culture and retain diverse talents
- Persons with Disabilities**
Remove barriers to create a disability-inclusive environment

For each of these goals, we've identified KPIs to allow us to measure our progress.

Gender distribution in managerial positions



Employee rights

The Centre of Excellence (Labour Relations) launched in 2021 has continued to implement a common principle in line with our values and the SMETA ethical-audit methodology.

In spite of the impact of inflation, we have been able to conduct and close several collective agreements with employee representatives around the world.

Despite ongoing difficulties caused by the after-effects of the pandemic, our annual ethical-audit programme, launched in 2019, has examined the areas identified so far by the Group, using the four pillars of the SMETA 6.1 methodology. We've carried out the audit in all our factories, including Ferrero Hazelnut Company (HCo). Evaluations are underway to extend it to other company areas, to monitor the overall situation relating to labour conditions, and to health, safety, environment and business ethics, with the aim of launching specific projects that further raise the ethical standards of the Group.

The activities of the European Works Council

During 2022, the European Works Council followed the same pandemic emergency set-up as in 2021, continuing to develop industrial relations and maintaining collaboration using established remote-working methods.

We continued with virtual meetings: on 20 and 21 April, we held joint training on, 'The time has come for Europe: repair the damage and prepare the future for coming generations'. This included an interactive debate between the experts and all participants about the Next Generation EU, the 4 priorities and the

Recovery and Resilience Plan, which focused on the support provided by different governments in relation to just transition and how this can be evaluated for the growth of the countries and the benefit for the company. These topics were then developed during the biennial local training sessions, where participants discussed and shared the challenges and opportunities relating to the National Recovery Plan for each country.

On 26 and 27 October, the meeting was dedicated to institutional presentations, including Ferrero scenarios, investments, the Group's performance and markets trends, as well as a specific focus on the new Ferrero Code of Ethics. Also, on the first day, there was an insight into energy procurement, a highly topical issue, and particularly interesting given the developments of recent months. The commodities and price drivers of the energy and natural-gas industry were analysed, and the long-term strategy and three-year strategic plan for industrial sustainability were illustrated.

In conclusion, each country gave all participants a clear and comprehensive assessment of the dynamics influencing local contexts, along with updates on the development of specific Ferrero companies.

At the end of 2021/22, the European Works Council involved around 19,000 colleagues, including employees of the commercial network and the 10 plants in Italy, Germany, Belgium, France, Poland, Ireland and the UK.



Health, safety and wellbeing

Our vision is to foster a proactive culture that protects and continuously improves the health, safety and wellbeing of everyone associated with our business.

Our approach

We go beyond our commitment to keep all our employees and associates safe and free from harm, by creating and promoting conditions that aim to improve their long-term health and wellbeing.

Accountability for the health, safety and wellbeing of our employees and partners ultimately lies with the relevant line manager, supported and advised by our global Health and Safety (H&S) function.

We have designed a managerial report for our local H&S managers to send to our Site Plant Managers. The global function provides strategic direction and leads the development of Group-wide initiatives, tools and frameworks, and defines the minimum H&S requirements for all Ferrero sites. Our Regional Managers are assigned to coordinate, oversee, support and advise on, H&S matters, and to ensure local implementation of Group policies, initiatives and programmes – as well as local laws, all of which we adhere to. Our Code of Ethics conveys the company's expectations regarding H&S, and states that all Ferrero employees are responsible for their own safety, and that of others working with them or anyone likely to be affected by their work.

Our Supplier Code also sets out clear expectations for health and safety: all third parties must comply with the same rules and regulations as Ferrero employees when working on Ferrero premises. We communicate this before contractors enter any of our sites.

Strengthening H&S operational management

In fiscal year 2021/22, we continued to align the H&S function with the Ferrero organisational model, appointing Area H&S Managers to provide the support and expertise required for our rapid growth. The Group function was consolidated with the incorporation of new roles for Project Management/Processes-Methodologies Development and an additional H&S engineering specialist. We also assigned H&S managers in all regions and strengthened existing local teams.

Working with the Ferrero Operational Excellence (FOX) organisation, and our quality and environmental departments, the H&S function developed the current problem-solving approach by providing guidelines on the use of available tools and methodologies to ensure the best possible outcomes from incident investigations. In line with this, the roll-out of our Apollo root-cause-analysis methodology continued, including the training of 225 line managers at manufacturing sites.

We updated our Ferrero Operational Requirements (FOR) H&S programme to align fully with ISO 45001 requirements. The

programme includes best practices and guidelines on how to implement them. We also established, as part of this, additional detailed requirements for H&S-critical activities and processes, with three documents formally released in 2021/22 for two procedures: Electrical Safety and Warehouse Safety; and the Design Guidelines for Machinery Safety. We aim to implement a long-term standardised approach to H&S management system step by step, taking into account the different H&S maturity levels at individual sites.

We continue improving our central H&S tool, ICE (Incident Create Experience), expanding its capabilities and strengthening it as the mandatory platform for all operations sites to report and follow up injuries, near misses, and unsafe acts or conditions. In addition, new online dashboards were developed in Power BI, to enable efficient and up-to-date reporting and monitoring of H&S performance indicators, as well as an analysis of trends by all relevant shareholders. The existing lagging performance indicator – TLR) was complemented with two leading indicators (Total Leading Rate – TLR and Closure Action Rate – CAR). This helps us manage health and safety more proactively, and is also included in the dashboards.

Our H&S function has also strengthened engineering-related processes, by creating a machine-safety concept aimed at improving the safety of older machines, and by developing health and safety design guidelines for new machines and buildings. In addition, we've updated the engineering project

manager's manual, introducing health and safety criteria to ensure the safe planning and execution of engineering projects.

Creating our annual H&S Strategic Plan is a key moment in the year, when we define the strategy for aligning all areas of the business within a common framework. We revised the plan for 2021/22 in line with our H&S function, expanding our strategic direction to include the following:

- H&S training specific to leaders and managers, HR business partners and front-line operators.
- Continued development and implementation of mandatory Group H&S procedures for the highest-risk activities, and minimum requirements for all sites to adhere to.
- Step-by-step global roll-out of H&S activities for the commercial and non-manufacturing parts of the organisation, focusing on office safety and safe driving.
- Last year's roll-out of the remaining sites for our root-cause-analysis methodology (Apollo RCA).
- Targets for leading KPIs, to be defined and monitored with the help of established dashboards.
- Detailed analysis of the safety of our machinery (part of our improvement of H&S engineering in machine safety), to be carried out in cooperation with qualified external suppliers. This will help us understand our weaknesses and how to overcome them.

Managing occupational health and wellbeing

We offer occupational-health services as part of our wellbeing programme, and comply fully with the regulations in the countries where we operate. We employ occupational-health professionals in our biggest factories to ensure we identify health hazards, manage the necessary medical-surveillance activities of our workforce, respond to injuries, and minimise risks on site.

Alongside our health and safety commitment, we strongly believe in supporting the physical, mental and emotional wellbeing of our people. Our holistic wellbeing programme is based on four pillars (Health, Energy, Protection, Community) and 16 quadrants representing the main areas of intervention. In 2021/22, we consolidated our approach:

- We appointed a Global Wellbeing Manager.
- We adapted our Global Governance to be more supportive and effective.
- Our three-year wellbeing strategic plan developed into a global roadmap, with nutrition and mental health as key areas of focus.
- We implemented our wellbeing framework in all countries.
- Our new awareness strategy was established to foster a wellbeing culture. It includes four awareness days a year – one for each pillar – and a wellbeing month, run globally and locally. We also opened an intranet channel dedicated to wellbeing matters. This will help raise awareness and encourage people to discuss their understanding and opinions.

- One year after the launch of our Employee Assistance programme at a global scale, we created specific measures to ensure workers are aware of their options for support (leadership engagement, orientation sessions, 'Did You Know?' campaign, onboarding brief).
- To reinforce our commitment to wellbeing matters, we joined the Consumer Goods Forum in the Employee Health and Wellbeing workstream.

Looking forward to 2022/23, we are kicking off the Workforce Nutrition project in four countries (Ecuador, Colombia, US and Germany) in partnership with the Global Alliance for Nutrition. We are also working on a mental-health strategy, which will help our people through challenging times, with a key focus on prevention, protection and promotion of mental health and wellbeing.

What have we achieved?

Overall, the trend for H&S in 2021/22 was positive.

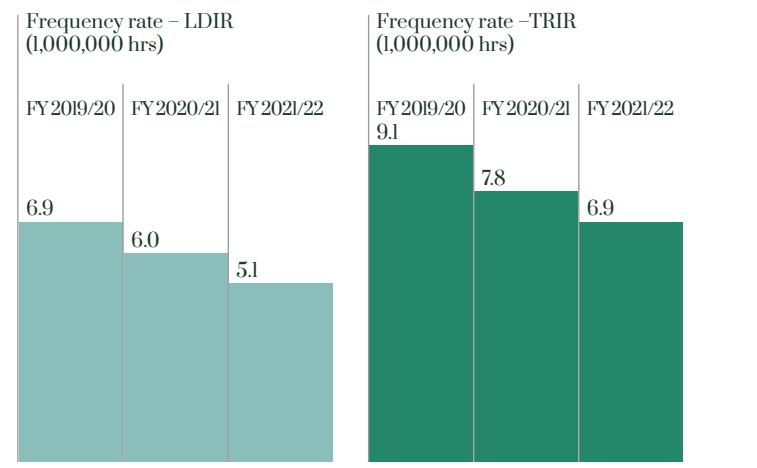
In 2021/22, our company Lost-Day Injury Rate (LDIR) decreased from 6.0 accidents per million hours worked to 5.1 (-15%) compared to the previous year. The company Total Recordable Injury Rate (TRIR) stood at 6.9 compared to 7.8 in the previous year (-11%)².

2. The main H&S KPI we have used since September 2019 is the TRIR. We continue to also monitor LDIR. The TRIR includes all lost-day injury cases, medical-treatment cases and restricted-work cases. The LDIR is calculated including temporary workers, excluding commuting accidents. Statistical data is on the occurrence of workplace accidents in the area considered, not including contractors and third-party business relationships.

Our local approach

During the year 2021/22, we maintained our response to the pandemic – tailored to each local situation – protecting our people and promoting vaccination campaigns to keep our workplaces safe.

We have enhanced local wellbeing programmes, including occupational-health services, according to the type of work at each site and always complying with regulations. Services include: access to doctors, nurses, first-aid services and telemedicine; a balanced food offer in our restaurants with a nutritionist on site; regular medical check-ups; keep-fit initiatives, including sports and fitness clubs on site; mental-health first-aiders; length of service and recognition awards; mental and emotional education; family days; volunteering projects.



Key performance indicators ³	FY 2019/20	FY 2020/21	FY 2021/22 ⁴
Frequency rate - LDIR (1,000,000 hrs)	6.9	6.0	5.1
Frequency rate - TRIR ((1,000,000 hrs))	9.1	7.8	6.9

3. Data for 2019/20 and 2020/21 have been recalculated to reflect the three years' scope.

4. To show an extending scope and guarantee comparability, information from new reporting locations was excluded. Without these exclusions, the LDIR will be 4.8 and the TRIR 6.4.

Human rights

Alongside our company values, our respect for human rights guides our strategy, policy and activities, throughout our own operations and our supply chain. We respect and promote human rights along the entire value chain, adhering to the Ten Principles of the United Nations Global Compact, the United Nations Guiding Principles of Business and Human Rights, the International Bill of Human Rights and the International Labour Organization Fundamental Labour Conventions. We are determined to eliminate all forms of modern slavery, human trafficking, forced, compulsory and prison labour, and child labour. Our Human Rights Policy Statement sets out our response to these issues and highlights our approach for our employees, business partners and other relevant stakeholders.

To strengthen our human rights approach, we work with Shift, the leading centre of expertise on the UN Guiding Principles. In 2018, Shift identified the ten main human rights risks that occur across our value chain, and on which we focus our efforts. You can find descriptions of our activities in different sections of this report, corresponding to where the impact may occur in the value chain.

Last year, we published our first [Human Rights Report](#), which sets out the ten most salient human rights issues in our whole value chain, and our human rights due diligence principles, which outline our steps to identify and manage human rights, as follows:

- Assess: identifying, assessing and prioritising human rights risks, including ethical audits and assessments.

- Address: embedding our human rights policy statement in our activities, addressing identified human rights risks, including measures to prevent, mitigate and remediate.
- Monitor: tracking and monitoring our activities and their effectiveness to address risks and continually improve our human rights approach.
- Communicate: reporting the implementation progress internally and externally.

We review our salient issues on an ongoing basis, and we will be carrying out a human rights saliency assessment in 2024.

Looking ahead

We will be reviewing our human rights-related policies, as well as taking the steps necessary to strengthen our audit programme. We will start introducing a Consumer Goods Forum due diligence plan in our own operations.

We continue to deepen local strategic partnerships on specific commodity and country challenges, which enables us to improve our responsible-sourcing supplier-risk management and strengthen our human rights grievance and remediation mechanisms. To achieve this, we are focused on building internal capability, including human rights workshops for the Sustainability Operative Committee, and we continually review our activities and programmes to access the effectiveness of our approach and inform our path forward.

The top 10 issues and where main impacts may occur



Raw Materials



Production



Packaging



Logistics



Consumption

1 2 3 4

5 6 7 9

2 3 4 5

6 7 8 9

2 3 4 5

6 7 8 9

2 3 4 5

6 7 8 9

8 9 10

Salient issues

- 1 Child protection and no child labour
- 2 Forced labour
- 3 Fair wages
- 4 Working hours
- 5 Diversity and inclusion, no discrimination or harassment
- 6 Freedom of association and collective bargaining
- 7 Health and safety
- 8 Privacy
- 9 Environmental related human rights issues
- 10 Rights relating to consumer health and responsible marketing

Ferrero Foundation

"Me and my family's determination has pushed us to establish a foundation that honours the contribution of work, the spirit of self-denial, the sense of responsibility and the invaluable loyalty of many employees".

Michele Ferrero, 1983

What is now the Ferrero Foundation was established as a pioneering social initiative in 1983 by Michele Ferrero and became a Foundation in 1991. Under the guiding values of Work, Create and Donate, it supports employees with 25 years of work experience, who we call Ferrero Seniors.

During the year⁵, the Foundation maintained its tried-and-tested layout and hygiene measures, to contain the health risks brought about by the pandemic. This still inevitably affected social activities and cultural projects, with activities and access still controlled and restricted to guarantee safety. It was possible to continue physical activity in the gymnasium in controlled and reduced numbers, as well as Nordic walking. Work continued on the building of new premises to improve the medical services and provision of physical activity. In September, we inaugurated the renovated Piazza Ferrero with a new fountain and a stainless-steel sculpture Alba, by artist Valerio Berruti.

We continued medical examinations, though often rescheduled to allow thorough disinfection of the premises and equipment. Our outpatient clinic has been certified to perform rapid antigenic swabs to detect SARS Cov-2 and influenza A and B viruses. Our vaccine hub administered 4,144 doses of vaccine (mainly as the third dose). During the year, we continued our research project with the Karolinska Institutet, Stockholm, collecting and analysing data to investigate the effects of our activities on the 'successful ageing' of our Ferrero Seniors.

We continued to host leading medical-scientific conferences and a lecture series covering a variety of interesting topics. In addition, during May and June, we presented a major exhibition dedicated to the work and life of the painter Giacomo Soffiantino, known mainly for his abstract works. From October 2022 until January 2023, we hosted a new exhibition project dedicated to the literary and life experience of the writer and partisan from Alba, Beppe Fenoglio (1922 – 1963).

4,144

doses of vaccines through
the outpatient clinic

The Ferrero nursery

The Ferrero nursery in Alba, inaugurated in 2018, has become established as a well-known location serving children and providing a space for meetings, information exchange for parents, educators and care and support workers, and creative activities. The nursery can look after 80 children aged between three months and three years old. Ferrero Seniors offer intergenerational encounters, acting as 'grandparents', participating in activities with children and parents and offering their time, experience and affection. A Scientific Committee, chaired by professor Marcel Rufo, one of the world's most authoritative specialists in childhood and adolescence, ensures a high educational standard.

Future initiatives

In 2023, we will celebrate the 40th anniversary of the Ferrero Foundation. In February and March 2023, the Foundation set up The Invention of Happiness, a new exhibition dedicated to the great photographer Jacques Henri Lartigue (1894 – 1986). From 6 to 11 November 2023, the Healthy Ageing Week will take place: a week of scientific events, seminars and workshops dedicated to successful ageing, organised in collaboration with the Academy of Medicine of Turin, the Cattolica del Sacro Cuore University of Milan and the Karolinska Institutet of Stockholm.

5. The Foundation year covers January to December 2022.



Michele Ferrero Entrepreneurial Project

The entrepreneurial and philanthropic spirit that has always characterised our business was the inspiration behind Ferrero Social Enterprises, established in 2005 in Cameroon, and later in South Africa and India. In 2015, to honour the founder, we renamed it the Michele Ferrero Entrepreneurial Project (MFEP).

Adding value to local communities through the Michele Ferrero Entrepreneurial Project.

India

After almost two years of shutdown, enforced by the Covid-19 pandemic, the Pietro Ferrero Kindergarten at Baramati finally resumed its activities in spring 2022.

Inaugurated in November 2014, the Kindergarten is a centre for early-years education, located on the site of the Ferrero plant at Baramati, in the Indian State of Maharashtra. A modern, extended (over 1,000 square metres) and functional facility, it can host up to 120 children between three months and five years old.

The social spirit that informs the MFEP also inspires the Ferrero India company. MFEP companies implement philanthropic projects aimed at safeguarding the health and educational and social development of children in the local communities where their plants operate. The Pietro Ferrero Kindergarten (PFK) is a great example of this community-oriented action: not all those attending it free of charge are children of Ferrero employees; about

one-third of them are from disadvantaged families living in surrounding villages. A free bus service provides daily transport from/to such villages, ensuring regular access to the kindergarten services.



Pietro Ferrero Kindergarten in Baramati

PFK supports each child's cognitive development by nurturing their individual skills. Specialist educators do this, guided and overseen by qualified supervisors. Careful consideration is given to the children's diet (a complete meal and two snacks, generally consisting of milk, fresh fruit and grains), as well as to their hygiene and personal care. The PFK team also monitors their weight and height, and responds appropriately to any kids who score low. Periodic visits to the doctor, dentist and ophthalmologist complete the kindergarten's thorough approach to preventative care.

Measures such as these have helped PFK build a reputation for quality over the past eight years – and this quality was recognised at the 10th India Leadership CSR Summit, held in Bangalore on 10 December 2021. The summit is the largest CSR forum in India, bringing

together companies, CSR foundations, government agencies, non-profits, social businesses and advisory firms to network, collaborate and pursue initiatives in the development and social-impact sector. Awards given at the event recognise the organisations that have had a positive impact on both business and society by taking a strategic approach to CSR through collaborative programmes. PFK won in the category of Community Development for 'Adding Value to Local Communities'.

South Africa

Continuing the partnership between MFEP and the Ministry of Education of the Republic of South Africa, MFEP and the Ferrero Joy of moving (JoM) team joined forces in 2022 to launch a pilot project aimed at helping rural primary schools in the Sedibeng district of the Gauteng province (where a Ferrero plant operates) to adopt the JoM method.

The project was developed and implemented jointly with the district representatives of the Department of Basic Education and the principals of the seven participating schools, hosting more than 10,000 pupils. It is part of a programme started by MFEP in 2012, designed to improve sports facilities at disadvantaged rural primary schools in the Sedibeng district. The pilot project was made possible by the construction, in 2020/21, of a modern Sports Centre at the Laerskool Deur, open to other local schools without sport facilities.

Based on the positive outcome of the pilot – evaluated by all parties involved – plans are underway to expand these activities in the near future.

Kinder Joy of moving

Since 2005, working with institutions, sports federations and private companies, Kinder Joy of moving has been encouraging children's natural inclination to be active, move and play, in the belief that a positive attitude toward movement can make today's children better adults tomorrow. The project is part of our 'Empower People' sustainability strategic pillar, which includes social activities that have a positive impact on people's lives and society.

Year after year, Kinder Joy of moving acquires an increasingly international dimension. In 33 countries, the project is engaging 2.6 million children and their families to get active, enjoy moving, and develop life skills in a fun and joyful way. Among the new countries that have joined the programme, South Africa, for example, has seen the launch of a pilot project to implement the first training session on the Joy of moving method for over 30 teachers and principals of seven primary schools together with the local Basic Education Ministry.

Kinder Joy of moving organises and supports physical education programmes in and out of schools, as well as sporting events for children and school competitions. It also runs multidisciplinary events to bring children closer to sport, collaborates with athletes and former champions to inspire youngsters, and supports research projects focused on the benefits of an active lifestyle.

The project operates around the world with high-profile, qualified and expert partners, including public and private partners, institutions, universities, a total of 131 sports federations and associations, and 4 Olympic Committees, with an investment of more than 10.8 million euro.

The Joy of Moving method and the activities it inspires

The project is inspired by Joy of moving, a scientifically validated educational method that promotes growth through play and movement, thus developing key skills in four major areas: physical fitness, motor coordination, cognitive function and creativity, and life skills. At the heart of the project are the activities based on the method, letting children experience initiatives developed ad hoc and carried out by qualified experts or by instructors and teachers who have received specific training.

The following activities take place in the school environment:

- Joy of moving has worked with Deakin University, to develop and evaluate the Australian Joy of moving research programme in Victorian primary schools, in collaboration with School Sport Victoria.
- In Brazil, the project has been in schools since 2018, in partnership with the Education Ministry of Government of Minas Gerais and municipality of Poços de Caldas.
- In Mexico, thanks to the good results the project has seen throughout the past year, Ferrero has signed a new agreement with

the System for the Integral Development of the Family (DIF) Guanajuato. With this commitment, Kinder Joy of moving will train 51 DIF collaborators as instructors in the Joy of moving programme, and they will then bring it to 2,400 children and their families in the most remote communities, as well as in homes throughout nine municipalities of Guanajuato.

- In the UK, extra-curricular activities related to the method are planned and carried out with the English Football League Trust.
- In Italy, due to the positive results achieved in previous years, the Italian Ministry of Education has confirmed the validity of the Joy of moving method and decided to include it in school curricula for pre-schools and primary schools. The method is also included in the academic programme for students of Motor Sciences at the University of Brescia and the University of Turin.
- In India, Joy of moving was introduced in some schools in Pune at the end of 2022.



The export of the method to the world and constant research and innovation all originate from the Joy of moving Village in Alba, Italy. This is a research laboratory where professionals with degrees in sports science and specific training in the method operate. Under the guidance of the International Scientific Committee, they help spread the Joy of moving philosophy and method around the world, training teachers and children's entertainers.

The Joy of moving Village is also a sports centre of excellence – a landmark for the Alba community, with a wide range of services for adults, children and families. Since its inception in 2012, it has become a model of functionality and sustainability, whose characteristics can be successfully replicated in different countries and cultures.

Close to family

Kinder Joy of moving provides families with materials to stimulate movement and engage children in method-based games and activities. They can enjoy them with parents, relatives and friends at home and outside.

These materials are delivered through local and international social channels for Kinder, Kinder Joy of moving, and Ferrero, and reach about 205 million users⁶. Among them, the 'Growing up active, growing up happy' initiative has gained a widespread following,

and is promoted on Kinder and Kinder Joy of moving channels in Spain, Italy, Greece, Korea, Singapore, Mexico and Germany. The subject of the campaign is 12 video tutorials that – in a fun way and through colourful and joyful settings and characters – involve parents and children in movement games inspired by the Joy of moving method. The games are drawn from the handbook, entitled 'Joy of moving Family, let's play and have some serious fun', entirely conceived and designed for, and dedicated to, parents.

A focus on families is the basis of two important projects carried out with private and public companies that share our values and purpose. Thanks to a partnership with Costa Cruises, Kinder Joy of moving has gone on board 11 ships, where the method has become an integral part of activities for children. Every day, Costa youths, who have received specific training from Kinder Joy of moving trainers, offer children aged 3 to 11 games and activities, based on the Joy of moving method, to get them and their families moving.

Also, the Kinder Joy of moving Park, located in Vicolungo The Style Outlets in the province of Novara, is the first permanent park in Italy (and the world) dedicated to the Kinder programme. It was created by a partnership between Kinder, the Municipality of Vicolungo, and Neinver, one of the main European players in the outlet sector. The initiative, like the

partners, is inspired by values focused on children and families, and social responsibility. The Park covers more than 1,700 square metres and offers children the opportunity to acquire or improve a range of skills by having fun, thanks to a 'facilitating environment' containing eight play-motor machines.

6. From September 2021 to August 2022 Emplifi and Meta Business has collected the data from the people who were reached by posts with #kinderjoyofmoving in the Kinder, Kinder Joy of moving and Ferrero social media channels.

Kinder Joy of moving and the right to play

In line with the UN Convention on the Rights of the Child and Adolescent – which claims every child has the right to rest and leisure, to engage in play and recreational activities appropriate to their age, and to participate freely in cultural life and the arts (UN Convention on the Rights of the Child-Article 31, November 1989) – Kinder Joy of moving promotes the right to play as an essential element in a child's growth.



Activities in the field

Kinder Joy of moving activities also take place on playing fields in many countries, through partnerships with sports federations and the support of ambassadors and former champions who promote the values of the project.

Children and their families have been involved in various local and global events, including the Kinder Joy of moving Tennis Trophy, an international tournament attended by more than 20,000 children in 12 countries. Much more than a trophy, what makes this tournament special and unique is that every match is played without referees. In fact, it's the players themselves who put into practice, on and off the court, the values of respect, friendship and fair play.

Another important global event was the Skiri Trophy XCountry, which took place in Val di Fiemme and was attended by 700 young skiers from various countries.

Partnership with Save the Children

Kinder Joy of moving collaborates with Save the Children to offer children opportunities for movement and entertainment, based on the Joy of moving method with the aim of promoting healthier and more joyful growth for new generations. The project takes place in Italy, where activities based on the method are carried out in three 'Punti Luce' in disadvantaged neighbourhoods of Rome, Genoa and Milan. Children also benefit from it in the US, where the Joy of moving is implemented at Summer Boot Camps in California, Tennessee, West Virginia and Arkansas.



Reporting summary



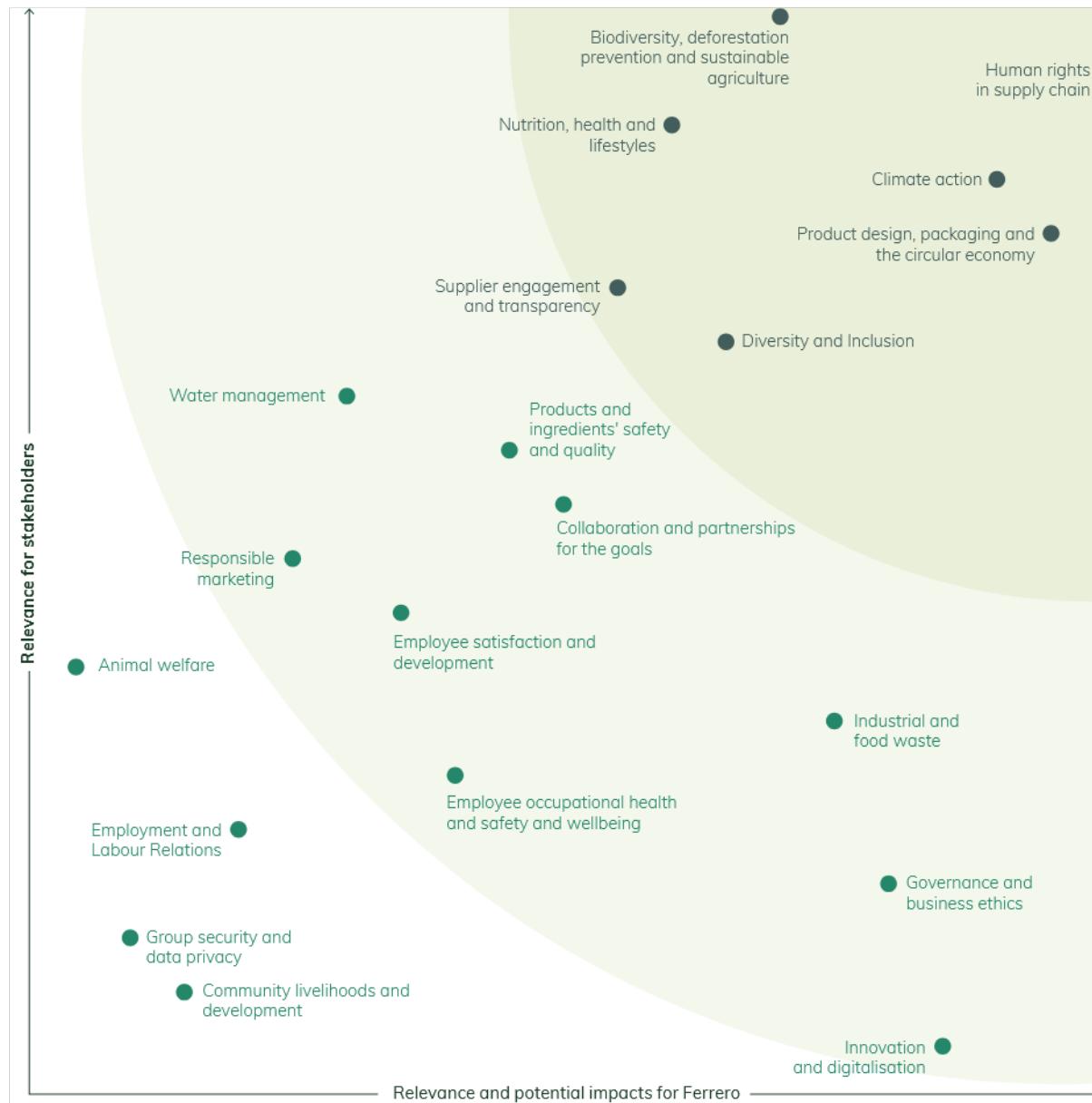
Materiality

We believe that to succeed in a changing world, the company must identify, respond and adapt to the sustainability issues that matter most to our stakeholders and our business.

In this year's report, we have provided insight into how Ferrero manages the material issues identified through the materiality assessment carried out in fiscal year 2020/21, which entailed the analysis of internal and external stakeholder perspectives on sustainability issues, and their potential impact on Ferrero's ability to create value.

Moving forward

During fiscal year 2022/23, Ferrero carried out a double materiality assessment with the help of a third-party consultancy, ahead of the upcoming EU Corporate Sustainability Reporting Disclosure regulation. This assessment entailed market data analysis, risk mapping, and the engagement of internal and external stakeholders to understand the potential impact of Ferrero's activities (impact materiality), as well as the financial materiality related to sustainability matters (financial materiality). We are excited to see the final results of the assessment and present these in the next year's report.



Governance

Ferrero's governance structure ensures that sustainability is embedded across the Ferrero Group as we continue to expand into new markets and advance our sustainability agenda.

We have in place policies and programmes to help us guide our practices and manage impacts across all locations where we operate.

Ferrero corporate governance

Ferrero is a privately held, family-owned company, and adapts a traditional corporate governance model. The Shareholders' Meeting, Board of Directors, Executive Chairman and Chief Executive Officer (CEO) guide projects and initiatives in line with the long-term strategic objectives of the Group, promoting transparent and consistent communications towards stakeholders.

The Board of Directors includes Ferrero family and non-family members. It is assessed on a regular basis to ensure an appropriate balance of knowledge, skills and expertise, and a proactive contribution from all the Board members to achieve the Group's goals.

The Executive Chairman, Mr. Giovanni Ferrero, is responsible for the review and approval of the Group's long-term strategic direction in line with our culture and values, as well as defining new business directions and ground-breaking innovations. He leads the Strategic Staff¹, Group Leadership Team (GLT), the Audit Committee and the following Group Boards:

- Human Resources (HR) & Organisation Development Board
- Industrial & Supply Board
- Product Board
- Procurement Board
- Reputation Board

The CEO, Mr. Lap Civiletti, is responsible to ensure the Group achieves its short- and mid-term results in line with the long-term direction set by the Executive Chairman, ensuring business continuity and maximising Ferrero's capabilities to:

- Contribute to the definition of business targets, in line with the long-term guidelines.
- Secure the achievement of business targets by operations (budget and one to three-year plan).
- Oversee and manage trade-offs and sales among functions and areas.
- Enhance the protection of Ferrero's Group know-how and foster its continuous development.
- Ensure continuity in Ferrero values and promote a culture which fosters innovative product development.

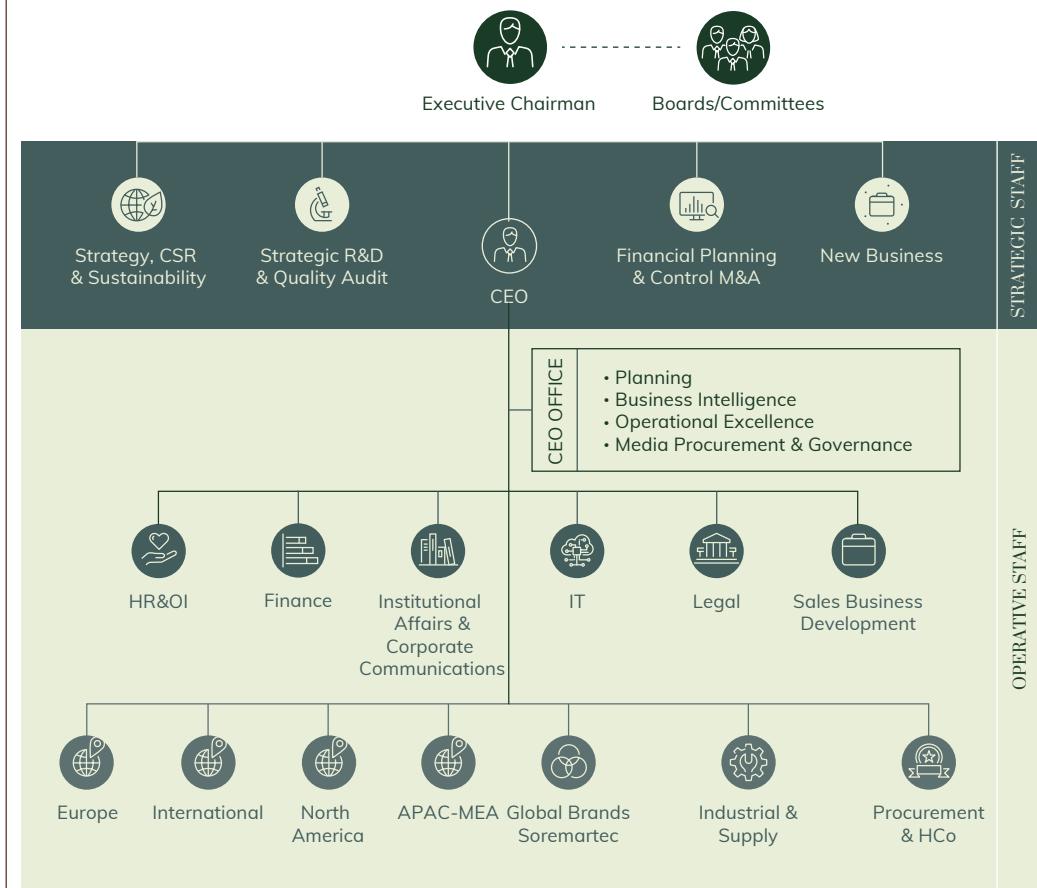
The CEO leads the Group Management Team (GMT), which comprises the heads of the following functions:

- Areas – Europe, International, APAC-MEA, North America
- Global Brands
- Industrial & Supply
- Information & Technology
- Institutional Affairs & Corporate Communications
- Finance

- Human Resources and Organisation & Improvement
- Legal
- Procurement & HCo
- Sales Business Development

As of 31 August 2022, the Group was composed of 109 consolidated companies, managed under Ferrero International S.A., the parent company based in Luxembourg.

1. The Strategic Staff comprises of Strategic R&D & Quality Audit, Strategy, CSR & Sustainability, Financial Planning & Control Mergers & Acquisitions, and New Business.



Governance (continued)

The **Group Leadership Team** (GLT) is the highest company board, meetings are held every two months. GLT reviews the **Sustainability Long-Term Guidelines**, prepared every year, which are prepared by the Strategy, CSR & Sustainability team in alignment with the Sustainability Operative Committee and are then cascaded to all the functions, in charge of developing short to medium-term plans.

The Sustainability Operative Committee (SOC) comprises the Heads from several functions across the Ferrero Group accountable for sustainability activities and strategy implementation, including the packaging department, the Environment and Energy team in operations, human resources, brands social responsibility (overseeing marketing communication strategy for brands), risk management, communications & institutional affairs and responsible sourcing in procurement. The SOC oversees the implementation of the strategy and monitors progress on a regular basis (meeting is held monthly). The minutes of each SOC meeting are presented in dedicated meetings by the CSO (Chief Sustainability Officer) to the CEO and relevant members of the GLT. The minutes are reviewed monthly with the Executive Chairman.

All major sustainability-related investments are approved by the GLT investment committee and every investment above the threshold of 100,000 euro includes carbon impact indicators to support decision-making.

The SOC has outlined a plan for regular interaction with third parties (governmental and non-governmental organisations, specialised consultancies etc.) to build SOC's collective knowledge and awareness about relevant social and environmental topics for the Ferrero Group. As an example, the first interaction, with SHIFT (www.shiftproject.org) happened in July 2022 and a full-year programme was developed for FY 2022/23.

Sustainability governance

Our sustainability governance structure enables us to define the Group's sustainability strategy based on key sustainability and consumer trends. The Strategy, CSR & Sustainability unit, part of the Strategic Staff, interacts with the business functions to provide strategic guidance on all sustainability topics. The responsibilities of the Strategy, CSR & Sustainability unit include:

- Pursuing the sustainability agenda within Ferrero Group by integrating sustainability principles into strategies, policies and procedures.
- Ensuring the successful implementation of responsible business practices across the Group.
- Contributing to creating positive impacts within the communities where we operate.

The objectives of this unit include:

- Defining the Group's sustainability strategy based on key sustainability and consumer trends, integrating it into the Group's strategic-long term guidelines.
- Supporting all business functions in implementing plans and monitoring sustainability initiatives, with a focus on monitoring key social and environmental sustainability initiatives.
- Developing long-term corporate sustainability projects.
- Developing and maintaining a transparent reporting system.

Listening to our stakeholders

Addressing sustainability via advocacy engagement needs imperatively to be part of broader efforts to tackle systemic challenges intrinsic to our business sector such as deforestation, respect for human rights, labour conditions, packaging waste and climate change. These are all issues of relevant social concern that impact hardest the most vulnerable people in our value chain, and often matter significantly to consumers. Therefore, we advocate for impactful policy and regulatory solutions to sustainability challenges. To do so and address these critical issues, we will engage directly and transparently with relevant stakeholders, such as civil society, and through relevant industry associations and other coalitions.

Guiding principles and business ethics

Our guiding principles are set out in the Ferrero Code of Ethics and Code of Business Conduct. Employees must adhere to these principles, with new joiners receiving a copy of the Code of Ethics.

To ensure compliance with our policies and ethics, the Group has put in place an independently managed Ferrero Integrity Helpline, which is available for employees and anyone who works with and for the Group. The helpline can be used to report grievances and concerns and ask questions related to our codes. The helpline is available 24/7 in 43 languages via a website and toll-free local numbers in 55 countries.

Reports are made available to a dedicated Ferrero Steering Committee for review and investigation. The Ferrero Group Anti-Bribery and Corruption Policy set out our commitment to ensure no detrimental treatment of any person as a result of reporting in good faith their suspicion that an actual or potential violation of our policies and codes has taken place.

About this report

Along with the objectives set out in previous reports, the issues in this 14th edition have been selected via a materiality process involving internal and external stakeholders, described in the 2020 Sustainability Report. This report has been prepared in reference to the revised GRI Universal Standards. The GRI Content Index is available in the section 'Sustainability Reports' on our website: www.ferrerosustainability.com. Previous reports are also available on this page.

The following points of reference were also taken into consideration when developing the report:

- The 'Ten Principles' of the United Nations Global Compact (UNGCI).
- The GRI and the UN Global Compact publication 'An Analysis of the Goals and Targets'.

The report was prepared by the Strategy, CSR & Sustainability organisational unit with the contribution of several internal departments.

The scope of financial data included in the report corresponds with Ferrero International's consolidated financial statement.

With regard to the qualitative and quantitative data on social and environmental aspects, the following entities were excluded from the scope of reporting (except where specified):

The companies belonging to Kellogg's are: cookie, fruit snack, ice cream cone and pie crust businesses, Ice Cream Factory Comaker, Eat Natural and FULFIL Nutrition (acquired in 2022).

Information on the Piera, Pietro and Giovanni Ferrero Foundation ('Ferrero Foundation') is included in a specific chapter.

This report was the subject of a limited assurance engagement (under the International Standard on Assurance Engagements 3000) (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' by PwC Luxembourg in some of its parts.

The details of the assurance are reported on page 90.

Changes in calculation methodologies of previously published figures, provided for comparison, are clearly indicated.

This report was published on 21 June. We will continue to publish reports on an annual basis.

A note about disruptions

For Ferrero, many of our goals are set as 100% achievements. This comes from our real and honest intention to implement credible and sustainable practices across our supply chain and within the spheres of our control and ability to influence.

For instance, whenever we report that we have achieved or aim to achieve 100% sustainable supply of a specific raw material, our commitment is to always maintain minimum operational levels above 95%, considering that farmers can face many types of issues and supply chain disruptions can affect the supply of our own plants.

Where we encounter situations that temporarily disrupt our sourcing volumes, and hence drop our achievements below 100%, our commitment is to quickly understand and mitigate the conditions that affect us and our suppliers – all the way to our farmers – so that we can return to the desired 100% achievement as quickly as possible.

About our environmental data

Data collection

We manage the collection and analysis of plants' data through an internal platform called SuRe (Sustainability Reporting). This tool allows better management, flow optimisation and data transfer. Moreover, we have developed with Exentriq, a dedicated platform to aggregate, validate and manage all Group environmental data, using innovative technologies and allowing more complex analyses.

Standards and methodologies

Our carbon footprint is based on the Corporate Accounting and Reporting Standard – GHG Protocol – developed by the World Resources Institute (WRI) for the World Business Council for Sustainable Development (WBCSD), today used globally as the main internationally recognised measurement tool and carbon reporting standard. We account our GHG emissions using an operational control approach. The environmental impact assessment is carried out following the ISO 14040 and ISO 14044 LCA standards, including the relevant Principles and Reference Framework, Requirements and Guidelines.

Within the GHG calculations, the conversion and emissions factors were unchanged as of fiscal year 2017/18 to keep consistency with the same SBTi baseline year.

The emission factors related to the conversion of energy from fuels come from Ecoinvent 3.4 database datasets and EPA Centre for Corporate Climate Leadership – GHG Emissions Factors Hub (March 2018). Products made in-house from renewable sources and the electricity supply from a marketplace certified by renewable sources do not contribute to greenhouse gas emissions, which follows best practice examples stated in GHG protocol. Emissions from cooling gases have been calculated using the IPCC Fifth Assessment Report, 2014 (AR5) emission factors, 100-year horizon. The emissions resulting from leased cars were calculated based on data collected internally from all 30 countries in which we have leased cars.

Calculation details

The percentage of recycled materials in packaging represents an estimate on the quantity of recycled content, as per our total packaging materials. For paper and cardboard, the data is based on a calculation based on the composition of the materials purchased. For rPET and rPP, the data is the exact calculation of the recycled material purchased in the reference year of this report. For glass and aluminium the data comes from the suppliers' surveys and takes into account the different

About this report (continued)

plants the materials were sourced from and is therefore linked to the efficiency of collection and recycling of the countries in which the packaging suppliers are located and operate. The CO₂eq emission coefficients used for the assessment of Location-based and Market-based emission factors come from the Ecoinvent 3.4 database, except for the 2019 Location-based data (Ecoinvent 3.6). For Scope 3 GHG calculations, the sources are mainly commercial databases (i.e. Ecoinvent 3.1, International Energy Agency) as well as some specific datasets developed internally. Data was collected in May 2018; values have been calculated for the whole fiscal year. Emissions related to capital goods, upstream leased assets, purchased goods and services (copacking and comanufacturing), downstream transportation and distribution, home-work travel and business travel are based on estimations.

Data perimeter

The data is related to 23 production plants, excluding Yaoundé (Cameroon), North Canton (U.S.), HCo manufacturing plants and the plants already defined as out of scope in the 'About this Report' note ICFC, Kellogg's cookies, crust and cones business, and Eat Natural manufacturing plants.

Data also includes warehouses directly managed by Ferrero except where clearly indicated.

GHG emissions updated baseline/ Science Based Targets

We developed our GHG emissions reduction targets (SBTi approved) by 2030 considering a fiscal year 2017/18 baseline that includes also recently acquired companies and other significant contributions which are not part of the disclosure of this report.

Climate change targets

	Base year data	Most recent year data	Delta
Scope 1 and 2 (Abs.) ³	724,697 tCO ₂ e	620.133	-14.4%
Scope 1, 2 and 3 (Int.) ⁴	4.6 tCO ₂ e/t prod.	4.4	-3.6%

3. Market-based Scope 2.

4. Includes key purchased goods (such as packaging, hazelnuts, cocoa, flour, palm oil, dairy, sugar), upstream logistics, upstream fuel and energy-related activities and end of life.

Note: data including recently acquired companies is not subject of the third-party external assurance, however, a large percentage (more than 90% of total value) of the reported number is covered by the audit activities.

Assurance letter



Independent Limited Assurance Report on a selection of Key Performance Indicators disclosed in the 2022 Sustainability Report

To the Board of Directors of
Ferrero International S.A.

We have performed a limited assurance engagement with respect to a selection of Key Performance Indicators disclosed in the 2022 Sustainability Report (the "2022 Sustainability Report") of Ferrero International S.A. (the "Company" or "Ferrero") for the year ended 31 August 2022 as set out in the "Scope" section below.

Scope

The scope of our work was limited to provide limited assurance over the selected Key Performance Indicators as set out in the table attached below in Exhibit 1 (the "Selected Information").

Our assurance work was performed with respect to the year ended 31 August 2022 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2022 Sustainability Report and, therefore, do not express any conclusion thereon.

The Assessment Criteria

The Selected Information was prepared in accordance with certain sections of the Global Reporting Initiative (GRI) framework and additional methodologies defined by Company policies (together the "Assessment Criteria") for the year ended 31 August 2022, accompanying the KPI disclosures in the 2022 Sustainability Report.

Management considers the Assessment Criteria relevant for the purpose of the Company's business and for the ultimate users of the 2022 Sustainability Report.

Responsibilities of the Board of Directors

The Board of Directors of the Company is responsible for:

- developing appropriate Assessment Criteria against which to assess the Selected Information and applying these consistently;
- ensuring that those Assessment Criteria are relevant and appropriate to the Company and its shareholders;
- designing, implementing and maintaining internal control procedures that provide adequate control over the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate policies, and making estimates that are reasonable in the circumstances;
- the preparation of the Selected Information in accordance with the Assessment Criteria;

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- the retention of sufficient, appropriate records to support the reported data and assertions included in the Selected Information.

Inherent limitations

The Selected Information needs to be read and understood together with the Assessment Criteria which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The selection of different but acceptable measurement techniques may result in materially different measurements.

Our independence and quality management

We have compiled with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1, as adopted for Luxembourg by the CSSF, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a limited assurance conclusion on the Selected Information as set out in the Exhibit 1 based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised); Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the "International Auditing and Assurance Standards Board" (IAASB) as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Selected Information has not been prepared, in all material aspects, in accordance with the Assessment Criteria.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Assessment Criteria as the basis for the preparation of the Selected Information, assessing the risks of material misstatement of the Selected Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Selected Information.

In a limited assurance engagement, the procedures vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Assurance letter (continued)



Within the scope of our engagement we did not perform an audit or a review on external sources of information or expert opinions, referred to in the 2022 Sustainability Report.

Within the scope of our limited assurance engagement, we performed, amongst others, the following procedures:

- we gained an understanding of the Selected Information and related disclosures;
- we gained an understanding of the Assessment Criteria and their suitability for the evaluation and/or measurements of the Selected Information;
- we gained an understanding of the internal control procedures in place supporting the gathering, aggregation, processing, transmittal of data and information and reporting of the Selected Information, including controls over third party information (if applicable) and performing walkthroughs to confirm our understanding;
- based on that understanding, we assessed the risks that the Selected Information may be materially misstated and determination of the nature, timing and extent of further procedures;
- we inquired relevant Company management, personnel and third parties;
- we performed analytical procedures related to the Selected Information;
- we considered the significant estimates and judgements made by management in the preparation of the Selected Information;
- we performed limited testing, on a selective basis of evidence supporting the reported Selected Information and assessed the related disclosures.

Limited Assurance Conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Selected Information for the period from 1 September 2021 to 31 August 2022 has not been prepared, in all material aspects, in accordance with the Assessment Criteria.



Restriction on Use and Distribution of our Report

This report, including the opinion, has been prepared for and only for the Board of Directors in accordance with the terms of our engagement letter and is not suitable for any other purpose. We do not accept any responsibility to any other party to whom it may be distributed.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 26 May 2023

Tal Ribon
Réviseur d'entreprises agréé

Assurance letter (continued)



Exhibit 1 - Table of the "Selected Information"

Key Performance Indicators - Environment	Units	Values
Renewable energy consumption	%	23.59
Purchased electric energy certified renewable	%	88.69
Energy intensity ratio	GJ/t	7.41
Total energy consumption	TJ	10,795.58
Total fuel consumption	TJ	9,036.55
Total fuel consumption from non-renewables	TJ	8,501.26
Total fuel consumption from renewables	TJ	535.29
Total electricity consumption (electricity sold excluded)	TJ	1,839.05
Total electricity consumption (electricity sold excluded) from non-renewables	TJ	- 172.07
Total electricity consumption (electricity sold excluded) from renewables	TJ	2,011.12
Steam or hot water consumption (sold streams excluded)	TJ	- 80.02
GWP Emissions TOTAL (Total Scope 1 + Scope 2 market based + Scope 3)	tCO2eq.	7,318,172.34
GWP Sc.1 Emissions - Total emissions	tCO2eq.	477,243.34
GWP Sc.1 Emissions - (Of which) for energy streams sold externally	tCO2eq.	51,143.08
GWP Sc.1 Emissions - Net total emissions	tCO2eq.	426,100.26
GWP Sc.2 Emissions - Market based	tCO2eq.	52,256.08
GWP Sc.2 Emissions - Location based	tCO2eq.	331,048.68
GWP Sc.3 Emissions - Cat (1-9, 12)	tCO2eq.	6,788,672.91
Water consumption	m³	5,396,490.99
- of which Water consumption from water main	%	81.97
- of which Water consumption from well	%	33.43
- of which Water consumption from river	%	4.6
- of which Water consumption from other sources	%	0.01
Water consumption ratio	m³/t	3.7
Wastewater	m³	3,128,139.15
- of which Wastewater sewage	%	92.97
- of which Wastewater surface water	%	5.18
- of which Wastewater ground and underground	%	1.85
Waste production ratio	kg/t	69.58
Total waste	t	101,348.29
Percentage of recovered waste	%	97.55
Non-hazardous waste recycled	t	97,587.57
Non-hazardous waste disposed	t	1,782.13
Hazardous waste recycled	t	1,282.64
Hazardous waste disposed	T	715.95



Key Performance Indicators - Raw Materials

	Units	Values
Cocoa sourced through certification schemes and other independently managed standards	%	99.99
Cocoa traceability to farmer group	%	98.34
Cocoa traceability to farm-gate level if minimum GPS waypoint available	%	95.64
Cocoa traceable to farm gate if minimum requirement polygon-mapped	%	89.17
Hazelnuts traceability to farm gate	%	79.73
RSPO certified palm oil as segregated (Ferrero, Thorntons)	%	100
Traceability to palm oil mills (Ferrero)	%	99.95
Traceability to plantations (Ferrero)	%	99.95
RSPO certified palm oil as segregated (Ferrero, Thorntons, Fannie May, former Nestlé US confectionery business, ICFC)	%	99.60
Traceability to palm oil mills (Ferrero, Thorntons, Fannie May, former Nestlé US confectionery business, ICFC)	%	99.95
Traceability to plantations (Ferrero, Thorntons, Fannie May, former Nestlé US confectionery business, ICFC)	%	99.55
Cane sugar supply certified by Bonsucro	%	100
- of which % certified via Bonsucro credit system	%	64.17
Cage free eggs	%	93.13
Total raw materials used	t	2,335,035.77
Key Performance Indicators - Packaging	Units	Values
Recycled material in packaging	%	35.4
Renewable materials in packaging	%	40.2
Reusable, compostable or recyclable packaging	%	83.2
Key Performance Indicators - Nutrition	Units	Values
Repartition of the Product Data Records according to the target eating occasions, on marketed volumes (Breakfast, Dessert, BMEE, Occasional)	%	
Breakfast	%	34.7
Dessert	%	45.2
BMEE	%	5.1
Occasional	%	15
Repartition of the Product Data Records according to the energy delivered by portion, on marketed volumes (values from >10 to >200 kcal)	%	
<=10	%	4.5
10-100	%	60.7
100-150	%	26
150-200	%	5.5
>200	%	3.4
<=130	%	88.2
Core marketed volumes covered by Glycaemic Index analysis eligible for the Sustainability Report	%	84

Assurance letter (continued)



Plants Certifications		
	Units	Values
ISO 14001 certified plants and warehouses	n. of facilities	29
ISO 50001 certified plants and warehouses	n. of facilities	22
FSSC 22000 certified plants	n. of facilities	23
Key Performance Indicators - Occupational Health and Safety		
Accident frequency rate (LDIR)	-	5.13
Accident frequency rate (TRIR)	-	6.96
Key Performance Indicators - Workforce Data		
Group HC (headcount) as of 31 August 2022	employees	41,441
Ferrero Foundation HC as of 31 August 2022	employees	13
External workforce HC as of 31 August 2022	employees	8,090
Key Performance Indicators - Kinder Joy of Moving Program		
Countries covered by the program	n. of countries	33
N. of children reached	n. of children	2,582,252
Investments	€	10,880,492
Sports federations involved	n. of sports federations	131
Key Performance Indicators - Ferrero Added Value		
Depreciation	%	4.38
Operating costs reclassified	%	70.39
Net added value	%	25.53
Distribution of the net added value		
- Human resources	%	70.07
- Capital remuneration	%	17.42
- Public sector	%	8.17
- Community	%	0.60
- Value retained - Enterprise system	%	2.75

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