

SHARING VALUES TO CREATE VALUE

FERRERO GROUP
CORPORATE SOCIAL RESPONSIBILITY
REPORT 2017





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ABOUT THIS REPORT

This report explains the Ferrero Group's corporate responsibility strategy and our global activities during Fiscal Year (FY) 2016/2017 (from September 1st, 2016 to August 31st, 2017). Along with the objectives set out in previous reports, the issues in this ninth edition have been selected via a materiality process, based on their level of importance to our Group, with constant input from key stakeholders. Previous reports are available online at www.ferreroCSR.com.

This report has been prepared in accordance with the GRI Standards: Core option. It was drafted by Corporate Communications and Sustainability office (email: csr@ferrero.com). It was submitted for the GRI Content Index Service and GRI confirmed the accuracy of the GRI Content Index. The following points of reference were also taken into consideration:

- the “Ten Principles” of the United Nations Global Compact (UNG);
- the ISO (International Standard Organisation) 26000:2010 “Guidance on social responsibility”;
- the “Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises”; and
- the GRI and the UN Global Compact publication “An Analysis of the Goals and Targets”.

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

During the reporting period, the Ferrero Group Parent Company Ferrero International S.A. acquired U.S. chocolate confectionery manufacturer Fannie May Confections Brands, Inc.

With regards to the qualitative and quantitative data on social and environmental aspects, the following entities were excluded from the scope of reporting:

- the Stelliferi & Itavex Srl joint venture, which processes and sells toasted hazelnuts at different stages of processing; and
 - the companies belonging to Thorntons Plc. and Fannie May Confections Brands, Inc., except where specified. The Piera, Pietro and Giovanni Ferrero Foundation is included.
- The report was the subject of a limited assurance engagement by PricewaterhouseCoopers.

This social responsibility report is also accessible online at www.ferreroCSR.com, where our previous eight CSR reports are also available. We will continue to publish reports on an annual basis.



Previous reports are available
online at: www.ferreroCSR.com



LETTER FROM OUR EXECUTIVE CHAIRMAN



“

Our passion for creating the highest quality products defines our everyday activities all the way back to sourcing the very best raw materials. The ‘very best’ not only in terms of product excellence but also in terms of rigorous criteria in sustainability, which we apply all along our value chain in partnership with a multitude of stakeholders.”

Giovanni Ferrero
Executive Chairman – Ferrero Group

We are closing a year of great achievements. It is unquestionable that it has been one of the most transformative years of Ferrero's history: first of all we have introduced a new governance model which has led to the appointment of Mr Civiletti as our new Ferrero CEO in order to secure, under his strong leadership, the achievement of the Group's Budget and PS3 business targets.

Moreover, we have developed a new strategic planning process to set ambitious and compelling long-term goals, as well as bold medium- to long-term strategies.

The planning cycle we are beginning is equally historic. Whilst we continue to foster our values, leverage our heritage and fully respect our contract of engagement with our stakeholders, we are breaking our legacy: we are migrating from the chocolate confectionery market to the Sweet Packaged Foods (SPF) one. What does not change however, is the *Ferrero way of doing things*.

For us at Ferrero, our commitment, authenticity and devotion to consumers, resulting in the highest quality products, will always drive our actions. It has already delivered outstanding results for the Ferrero Group, as demonstrated by the consolidated turnover of €10.5 billion achieved in FY 2016/17, up 1.5% from the previous year.

Our passion for creating the highest quality products defines our everyday activities all the way back to sourcing the very best raw materials. The ‘very best’ not only in terms of product excellence but also in terms of rigorous criteria in sustainability, which we apply all along our value chain in partnership with a multitude of stakeholders.

Our people and the communities in which we operate are also the focus of our passion and are at the heart of our value sharing system. This system translates into the empowerment of our people that have worked and continue to work for Ferrero and of the communities in our supply chain. This also means the continuity of important initiatives such as the Ferrero Foundation, the Michele Ferrero Entrepreneurial Project and the Kinder+Sport program. I am especially proud that last year this latter program reached an important milestone, spreading the joy of moving to children and young people in 30 countries.

Furthermore, the Ferrero Group has very strong ambitions for the coming years. All of which will be shaped by our absolute respect for the People and the Planet.

This Report is testament to our renewed support for the United Nations Global Compact, the world's largest corporate sustainability initiative.

Finally, I would like to thank each and every Ferrero employee, or Ferrerians as we call ourselves, for their continued support, commitment and active participation in our unique journey.



Giovanni Ferrero
Executive Chairman – Ferrero Group



FERRERO'S SOCIAL RESPONSIBILITY

Ferrero has always been dedicated to taking on solid commitments and paying the utmost attention to People and the Planet, giving these precedence over its financial goals. This tendency is inherent to the Company's DNA and is symbolically represented in a letter that Michele Ferrero sent to company employees in 1957, when he took the leadership:

“

I personally pledge to dedicate everything I do and all my intentions to our company, so that it may continue its journey in the same light that my father and my uncle gave it, assuring you that I will only feel satisfied once I am able, with concrete facts, to ensure you and your children a safe and peaceful future.”

Michele Ferrero
1957

Our Executive Chairman Giovanni Ferrero continues to guide the Group in this same light:

“

Tradition and innovation are inherent to Ferrero's DNA. If I had to find a metaphor, I'd say that tradition is like a bow. The further back we pull the string, the further forward we can fire the arrow of modernity, of vision, of innovation.”

Giovanni Ferrero
Executive Chairman

For our Group, the term corporate social responsibility has always stood for caring for people and for the local area: namely employees and former employees, consumers, families and the local communities in which we operate. These principles of social responsibility guided Ferrero's first steps 70 years ago in Alba and remain unchanged to this day.

For us, the most important report has never been our annual financial statement; it is in fact our corporate social responsibility report that reflects our Group's respect for People and the Planet.

Our approach to sustainability is currently based on our social responsibility strategy: **“Sharing values to create value”**.

This strategy is implemented every day through our commitment to consumers, which results in the highest quality products, innovation and transparent communication. For us, the creation of shared value is a practice that affects all stages of the supply chain: it goes from caring for the people who have made and continue to make the history of the Group, the support of local communities and the promotion of active lifestyles among youths and their families, all the way to our strong commitment to sustainable farming practices and safeguarding and protecting the environment.

We confirm all of the commitments of our corporate social responsibility strategy, involving People and Planet.



For the purposes of determining and managing the Group's policy in terms of corporate social responsibility (CSR), the Ferrero Group has an office which is specifically responsible for CSR:
csr@ferrero.com



PEOPLE

At Ferrero, consumer focus isn't just an abstract value, it's something we put into practice every day, based on a sense of responsibility that goes beyond commercial goals. This responsibility is made into reality through our nutritional strategy, on-going innovation, the quality and freshness of our products, food safety and responsible and transparent communication.

In addition, we show a constant interest in the lives of our current and former employees as well as the people living in the communities in which we operate. This commitment is demonstrated by the activities of the Ferrero Foundation and the Michele Ferrero Entrepreneurial Project, active in Africa and Asia. Our Group also continues its commitment to the promotion of active lifestyles by addressing young people and their families through the global Kinder + Sport Joy of Moving program.



PLANET

Monitoring and improving the impact of our activities throughout the entire supply chain is a priority for our Group, which we address by ensuring that our main raw materials are responsibly sourced.

In addition, we are committed to production that respects the environment, by making use of the best technologies available, ensuring that our use of energy, materials and natural resources is efficient and by consuming water resources responsibly and reasonably. Acknowledging this responsibility, we are strongly committed to minimizing our environmental impact, from raw materials to production plants and logistics, along the entire value chain.





MATERIALITY ANALYSIS

Our Materiality Analysis is aimed to identify and assess the importance of various sustainability topics that affects our ability to create value and those considered relevant by our stakeholder.

This year we decided to make a step further in our analysis, updating both topic mapping and prioritization to better meet stakeholder expectations.

The criteria were based on:

- **Credibility** – confidence in results that are data-driven and evidence-based.
- **Reach** – analysis of a broader range of data sources and stakeholder voices.
- **Efficiency** – time and resource-effective without compromising quality and accuracy.
- **Transparency** – an auditable trail of evidence supporting the analysis.
- **Relevance** – analysis that can feed into key business processes, including risk management.

The first step has been conducting a research on a wide range of topics, including various sources with the use of an external specific BI tool (Datamaran Limited). This list of topics has been then shortlisted to better align with our specificities.

This analysis resulted in 26 material topics.

Following the identification of the topics we proceeded with the prioritization process, based on both internal and external perception.

The relevance for our external stakeholders has been measured through a quantitative analysis performed on the basis of thousands of data points from corporate reports, mandatory and voluntary regulations (including NGOs publications), news and social media posts².

The relevance and the potential impacts for Ferrero have been measured through an internal analysis.

In the matrix, the aspects that are most relevant to Ferrero and our stakeholders are placed in the top right-hand box.

Compared to the previous years, some topics related to environment have increased in importance, in particular *Climate change and air quality, Natural capital preservation and biodiversity* and *Sustainable packaging*. *Nutrition* is confirmed to be of high importance for external stakeholders and for Ferrero. We also confirmed once more, from internal and external perspective, the crucial importance of a *Responsible Supply Chain*.

From an internal perspective *Products and ingredients safety and quality* is confirmed to be the first Group priority, together with the protection of the *Human rights*. *Consumer rights* and *Responsible Marketing* are also considered of high importance for the Group.

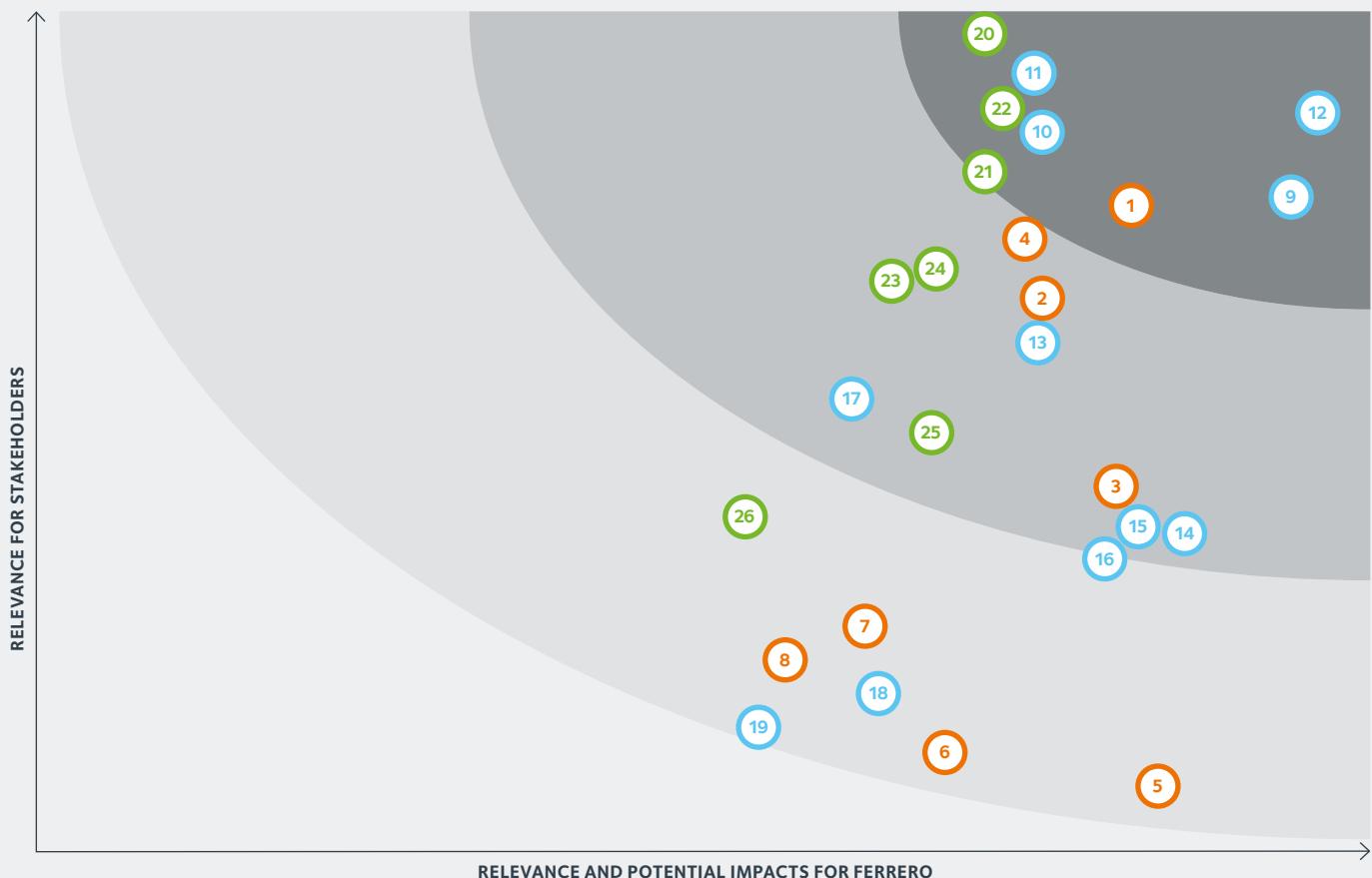
The importance of other environmental topics (*Water management* and *Waste management*) has also been highlighted, together with the confirmation of *Transparency* and *Ethics and Compliance* as crucial themes.

Special attention is also paid to our employees, as we identified topics such as *Employee health, safety and well-being* and *Fair and inclusive workplace* as being of high importance.

² Source: Datamaran Limited



MATERIALITY MATRIX



THE GROUP

1. Responsible Supply Chain
2. Governance
3. Transparency
4. Ethics and compliance
5. Long-term value
6. Innovation and digitalization
7. Competitive pressure
8. Geopolitical events



PEOPLE

9. Human rights
10. Nutrition
11. Employee rights
12. Products and ingredients safety and quality
13. Talent and development
14. Consumer rights
15. Responsible marketing
16. Employee health, safety and well-being
17. Fair & inclusive workplace
18. Local community support
19. Inclusion and accessibility



PLANET

20. Climate change and air quality
21. Sustainable packaging
22. Natural capital preservation and biodiversity
23. Water management
24. Waste management
25. Energy efficiency
26. Animal welfare



The coverage of this is shown in the summary table, available in the section "Our CSR Reports" of our website www.ferreroCSR.com, compiled according to the form proposed by the GRI Sustainability Reporting Standards.



MATERIALITY ANALYSIS

CONTINUED

In order to identify where an issue generates an impact and consequently determine its relevance, a perimeter was defined and applied for each of the 26 issues that emerged as material.

The topics mentioned are consistently analyzed in the relevant chapters of this report, through a qualitative description of the management approach and specific performance indicators.

SCOPE	TOPIC	PERIMETER
	Responsible Supply Chain	Purchases, Suppliers, Distributors and Retailers
	Governance	Ferrero Group
	Transparency	Ferrero Group
	Ethics & compliance	Ferrero Group, Suppliers, Distributors and Retailers, Farmers
	Long-term value	Ferrero Group
	Innovation & digitalization	Ferrero Group, Suppliers, Distributors and Retailers, Farmers
	Competitive pressure	Ferrero Group
	Geopolitical events	Ferrero Group
	Human rights	Ferrero Group, Suppliers, Farmers, NGOs
	Nutrition	Nutritional strategy, Products, Consumers, Consumers associations and NGOs, Institutions, Government and regulators
	Employee rights	Ferrero Group, External workforce
	Product and ingredients safety and quality	Production plants, Products, Suppliers, Distributors and Retailers, Consumers, Consumers associations and NGOs
	Talent and development	Ferrero Group
	Consumer Rights	Ferrero Group, Products, Distributors and Retailers, Consumers, Consumers associations and NGOs
	Responsible Marketing	Marketing, Communication and Media, Consumers
	Employee health&safety and wellbeing	Ferrero Group, External workforce, Suppliers
	Fair and inclusive workplace	Ferrero Group
	Local community support	Purchases, Production plants, HCo, Kinder+Sport, Ferrero Foundation, Michele Ferrero Entrepreneurial Project, NGOs, Institutions, Governments, Local communities
	Inclusion & accessibility	Ferrero Group, Farmers, Local Communities
	Climate change and air quality	Production plants, Warehouses, Suppliers, Employee travels
	Sustainable packaging	Packaging management, Production Plants, Consumers, Suppliers
	Natural capital preservation and biodiversity	Production plants, Suppliers, Farmers, Local Communities
	Water management	Production Plants, HCo, Suppliers, Farmers
	Waste management	Production plants, Suppliers, Products, Distributors and Retailers, Consumers
	Energy efficiency	Production plants, Warehouses, Suppliers
	Animal welfare	Purchases, Suppliers, NGOs



The GRI Content Index is available in the section "Our CSR Reports" of our website: www.ferrerocsr.com (compiled according to the form proposed by the GRI Sustainability Reporting Standards).

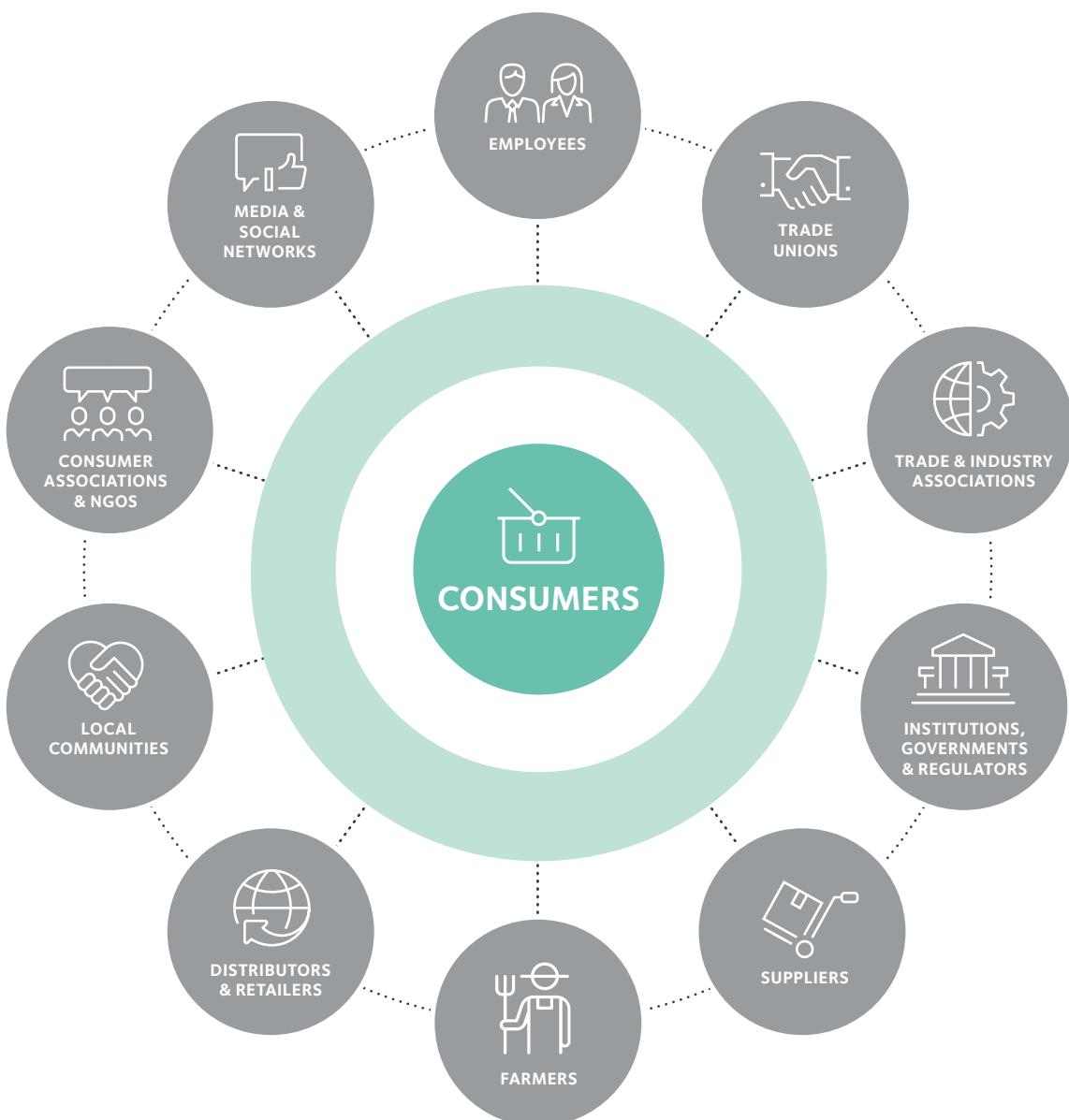


STAKEHOLDER MAPPING

For the purpose of drafting the CSR Report, the mapping of internal and external stakeholders has been confirmed, affirming the centrality of the consumer – Ferrero's first key stakeholder.

We actively participate in debates and work groups, of the trade and industry associations to which we belong, at an international, European and national level.

In addition, we have developed a structured dialog with some NGOs working in CSR.





FERRERO GROUP'S GOALS

	FSSC 22000 food safety certification for all Group production sites – excluding the plants of Michele Ferrero Entrepreneurial Project – including the new plant in China	Reached in January 2017	
	Enhance the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project	Reached and renewed	
	Promote internal initiatives to support a "culture of diversity"	Commitment renewed until 2018	
	Increase of 5% in women managerial positions (compared to August 31st, 2015)	By 2020	
	On-going support and expansion of our Kinder + Sport program by extending it in 30 countries all over the world and moving five million children	By August 2018	
	100% cocoa certified as sustainable	By 2020	
	100% sustainable palm oil certified RSPO as segregated	Reached in December 2014	
	100% refined cane sugar from sustainable sources	By 2020	
	Implementation of the traceability plan for 100% of hazelnuts	By 2020	
	100% of eggs from barn hens with respect for animal welfare	Reached in September 2014 in EU plants and extended to a global level by 2025.	

PEOPLE

PLANET

● On track

● Not on track



For further details regarding the progress of the Ferrero Group's goals for 2020, please see the following chapters of this report.



	Self-produced electricity totaling 70% (instead of 75%) of electrical consumption of all European plants, of which 18% (instead of 25%) from renewable sources	Partially met in September 2014	●
	Group ISO 50001 certification for the 17 production sites active in August 2014 – excluding the plants of Michele Ferrero Entrepreneurial Project – including power generation plants	By 2020	●
	Implementation of a global action plan on energy, according to local needs of existing and future plants, aimed at reducing emissions	By 2020	●
	40% reduction of CO ₂ emissions from production activities (compared to 2007)	By 2020	●
	30% reduction of greenhouse gas emissions (tonnes of CO ₂ eq) from transport and storage activities (compared to 2009)	By 2020	●
	Use of packaging made from renewable sources (+10% compared to 2009)	By 2020	●
	100% virgin cardboard ³ from certified sustainable supply chain	Reached in December 2014	●
	100% of virgin paper ⁴ from certified sustainable supply chain	Reached in December 2017	●

PEOPLE

PLANET

● On track

● Not on track

³ The term cardboard refers to materials with a density (mass per square meter) over 225 g/m².

⁴ The term paper refers to materials with a density (mass per square meter) below 225 g/m².



FERRERO GROUP

Our approach to corporate social responsibility focuses on offering consumers innovative products of the highest quality and freshness, made using carefully selected raw materials.

Our Group's organizational structure and governance have evolved over time, in step with our global expansion into new markets and our constant innovation of products and their packaging.

Our commitment to responsible and sustainable business practices has guided us since the very beginning.

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For more information visit:
www.ferrero.com
www.ferrerocsr.com





AT A GLANCE

Our approach to corporate social responsibility is largely focused on offering consumers around the world innovative products of the highest quality and freshness, made using carefully selected raw materials.

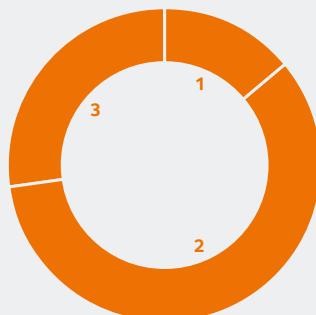
OUR PRESENCE IN THE WORLD

Our products are present and sold, directly or through authorized retailers, in more than **170** countries. Our Group is present in **55** countries and territories:

Argentina	Kazakhstan
Australia	Luxembourg
Austria	Malaysia
Belgium	Mexico
Brazil	Monaco
Bulgaria	Netherlands
Cameroon	Norway
Canada	Poland
Chile	Portugal
China	Puerto Rico
Colombia	Romania
Croatia	Russia
Czech Republic	Serbia
Denmark	Singapore
Ecuador	Slovakia
Finland	South Africa
France	South Korea
Georgia	Spain
Germany	Sri Lanka
Greece	Sweden
Hong Kong	Switzerland
Hungary	Taiwan
India	Turkey
Indonesia	UAE
Ireland	Ukraine
Israel	United Kingdom
Italy	United States



For more information visit:
www.ferrerocsr.com



Geographical Distribution of Consolidated Net Turnover in Fiscal Year 2016/2017

1. Italy	14%
2. Rest of Europe	59%
3. Outside of Europe	27%



KEY NUMBERS

Total Production (Tonnes)

+0.9%

2016/17 1,277,126

2015/16 1,265,950

Consolidated Net Turnover (€/000)

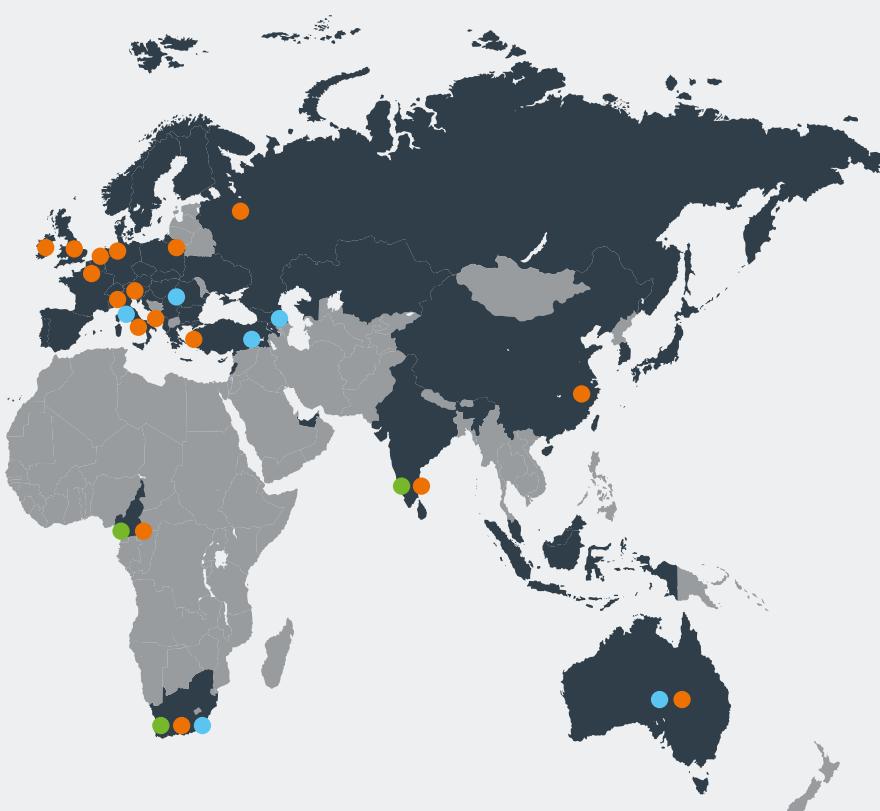
+1.54%

2016/17 10,485,058

2015/16 10,325,845



- Production Plant
- Michele Ferrero Entrepreneurial Project
- Ferrero Hazelnut Company



An extensive and constantly increasing presence that attests to the quality of the products, the Group's ability to adapt and respond quickly to the needs of different markets, as well as to the fact that the Group and its products are in tune with the daily needs of consumers around the world.

23 INTERNATIONAL MANUFACTURING PLANTS

1. Italy – Alba 1946
2. Germany – Stadtallendorf 1956
3. France – Villers-Écalles 1960
4. Italy – Pozzuolo 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 1989
11. Poland – Belsk Duży 1992
12. Argentina – La Pastora 1992
13. Brazil – Poços De Caldas 1994
14. Canada – Brantford 2006
15. Cameroon – Yaounde* 2005
16. South Africa – Walkerville* 2006
17. India – Baramati* 2007
18. Russia – Vladimir 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

* Michele Ferrero Entrepreneurial Project

RAW MATERIALS

During the FY 2016/2017 the Group used a total of **1,849,430** tonnes¹ of agricultural raw materials and packaging raw materials.

¹ Figure includes the volume of water used in the recipes of Ferrero products, raw materials for surprises and auxiliary materials for the production process.

HCO – HAZELNUT COMPANY

6 Agricultural Companies:

- Chile
- Argentina
- Georgia
- South Africa
- Australia
- Serbia

8 Manufacturing Plants:

- Chile
- Italy
- Turkey

Average Group Workforce

+3.76%

2016/17

30,305

2015/16

29,206



CORPORATE GOVERNANCE

Our Group's organizational structure and governance have evolved over time, in step with global expansion.

The key factors that characterize our history and growth are:

- being a family-owned Company;
- continuing expansion into new markets;
- opening of new production plants;
- constant innovation of products and their packaging;
- always focusing on the highest quality and freshness.

As of August 31st, 2017, the Group was composed of 91 consolidated companies, managed under Ferrero International S.A., our parent company based in Luxembourg, the strategic and operational heart of the Group where more than 1,000 employees work.

Since 1998, Ferrero International has applied a traditional Corporate Governance model, with the Shareholders' Meeting and the Board of Directors in a central role. The Chairman of the Board of Directors plays a guiding role, rather than an executive one. The Board of Directors also has members who do not belong to the Ferrero family, including the Vice President. The executive members are appointed based on their qualifications and skills and subject to constant assessment based on merit.

In 2017, the Ferrero Group decided to introduce a new governance set-up to strengthen our competitive position in the chocolate and sweet packaged food market worldwide and accelerate growth momentum.

The Ferrero Group's entrepreneur and CEO, Mr. Giovanni Ferrero, assumed the role of Executive Chairman as of September 1st, 2017, driving the Group by focusing on long-term strategies, new business directions and breakthrough innovation, whilst assuring continuity in our culture and values.

On the same date, Mr. Lapo Civiletti was appointed as Chief Executive Officer, focusing on achieving short- and mid-term results.



A family-owned company since

1946

In 2017, the Ferrero Group decided to introduce a new governance set-up to strengthen its competitive position in the chocolate and sweet packaged food market worldwide and accelerate growth momentum.





The Executive Chairman leads our Group Leadership Team (GLT) and our Boards/Committees, with the aim of defining strategies, governance and business development activities. He defines the vision and the long-term strategy of the Group.

The strategic functions reporting to him will be:

- The CEO.
- Institutional Affairs, aimed at supporting the Executive Chairman in developing long-term networking strategies with key institutional stakeholders.
- Open Innovation, aimed at focusing on the scientific innovation that could lead to breakthrough discoveries for our product of the future.
- Strategic R&D, aimed at developing breakthrough products utilizing available science, leveraging on internal competencies and our expertise to support the product development of the newly acquired companies.
- Strategy and M&A, aimed at supporting the Group's medium- to long-term strategy development.
- Group Boards and Committees. In particular they are:
 - **Advisory Board**, to provide support to the Executive Chairman in the decision-making process, with specific focus on the economics/financials and company value creation
 - **Audit Committee**: to provide oversight over the Risk management process and the Internal Controls System, to assess the effective functioning of Group Internal Audit in providing independent assurance and to provide oversight over the Financial Reporting process
 - **Business Innovation and Science Committee**, to focus on new business model proposals such as: new channels, categories, media, raw materials, packaging materials, sourcing strategies, distribution models, and new big transversal projects
 - **Group Leadership Team**, to guarantee the link between entrepreneurial and managerial worlds supporting strategic decisions and the business plans deployment

- **Operations Committee**, to focus on the Industrial strategy and footprint evolution, logistic network transformation, raw material and packaging deployment, Information Technology systems, new plant evaluation
- **Organization, Appointment, and Remuneration Committee**, to carry out analysis and proposals related to: Group organizational reviews, key positions' appointments, remuneration policies and incentive system
- **Product Committee**, to focus on new product development (innovation) and portfolio management

The CEO, with the help of the Group Management Team (GMT), ensures continuity and maximizes our managerial capabilities to:

- Contribute to the definition of business targets, according to the Executive Chairman's guidelines.
- Secure the achievement of business targets (budget and 1-3 year plan).
- Supervise and manage trade-offs and arbitrages among Functions and Areas.
- Enhance the protection of Group Know-How and foster its development.
- Guarantee continuity in Ferrero values and foster our innovative product development culture.

The CEO leads the GMT, comprised of Heads of the following Functions:

- Areas: Europe, International, Emerging
- CFO
- Global Brands Soremartec
- HR&OI
- Industrial and Supply Department
- Legal
- Quality
- Sales Business Development
- Strategic Business Units (SBU)



Consolidated
companies managed
under Ferrero
International S.A.

91

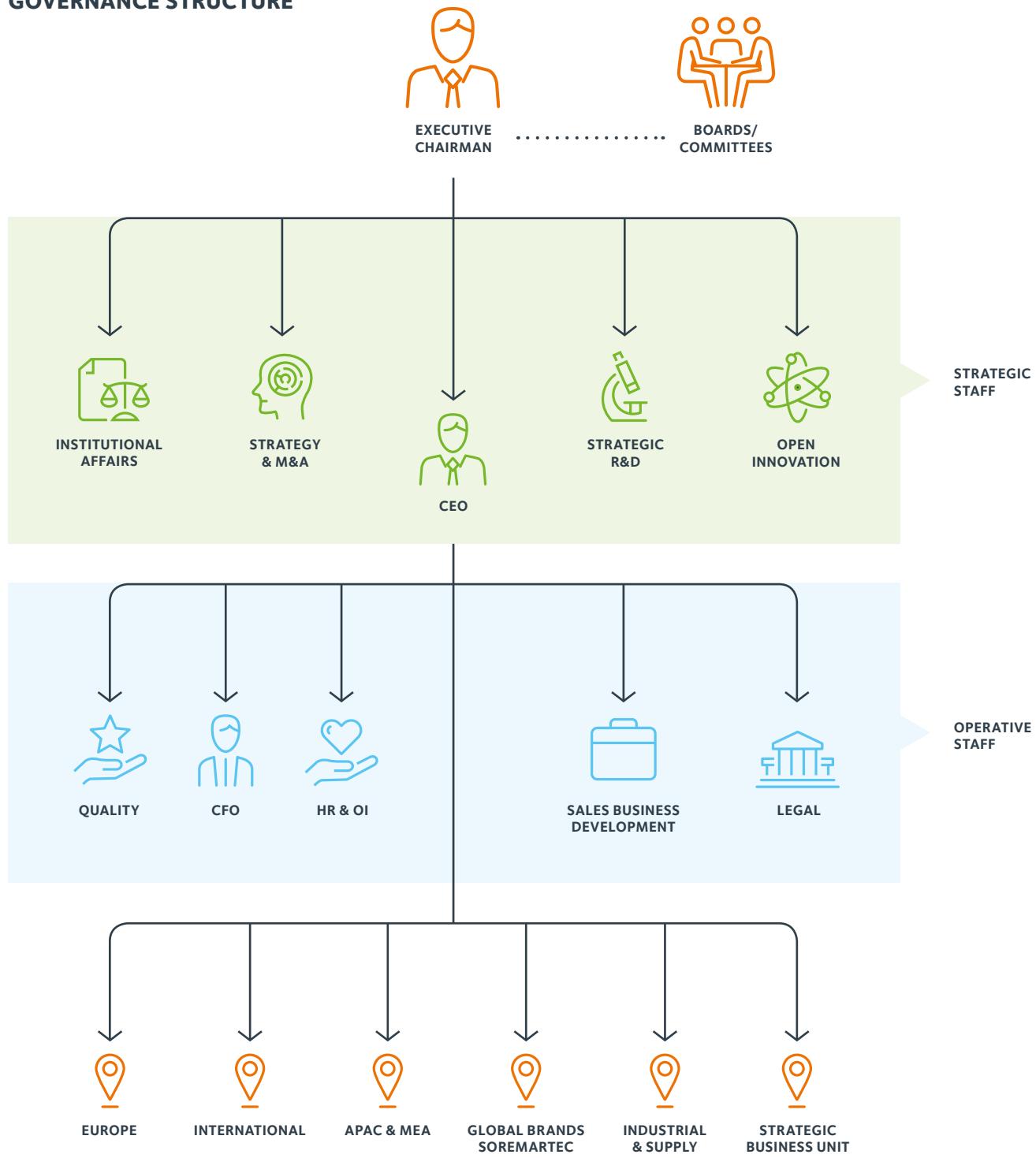
August 2017



CORPORATE GOVERNANCE

CONTINUED

FERRERO GROUP GOVERNANCE STRUCTURE





FERRERO'S ADDED VALUE

By "Added Value" we mean the economic value generated by our Group.

The "Net Added Value" in particular represents the economic value generated during the reporting period, net of depreciation and operating costs, which includes payments to suppliers (mainly for raw materials and services).

As illustrated in the chart below, Ferrero's Net Added Value for the period considered in this CSR report is distributed in different ways to various internal and external stakeholders.

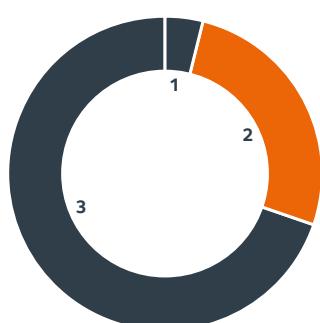
The item "Human Resources" includes all types of salaries and wages paid for work carried out by employees, including social and welfare contributions made by our Group.

The item "Capital Remuneration" includes the distribution of the net profit for the reporting year and the recognition of accrued interest.

The item "Public Sector" represents the amount our Group must pay to public bodies as corporation tax and other contributions directly connected to the Company assets, with the exclusion of taxes and additional costs relating to operations (duties and customs fees).

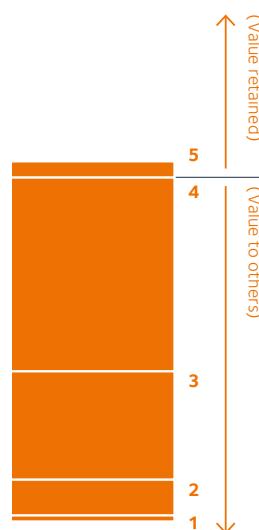
The item "Community" includes donations, gifts and investments in social projects and partnerships with universities and research centers.

Finally, the item "Enterprise System" represents the economic value retained in our Group: the difference between the generated economic value and the distributed economic value.



**Added Value Generated
2016/2017**

1. Depreciation	3.4%
2. Net added Value	26.8%
3. Operating Cost Reclassified	69.8%



**Added Value Distributed
2016/2017**

1. Community	1.1%
2. Public Sector	11.0%
3. Capital Remuneration	33.3%
4. Human Resources	59.6%
5. Enterprise System	(4.9%)



ORGANIZATIONS AND ASSOCIATIONS

OUR PRIMARY EUROPEAN AND INTERNATIONAL ORGANIZATIONS AND ASSOCIATIONS

UNITED NATIONS GLOBAL COMPACT

(headquarters in New York)

A political and strategic initiative for businesses that are committed to aligning their activities with the 10 universally accepted principles on human rights, labor, environment and combating corruption.

www.unglobalcompact.org

GRI – GLOBAL REPORTING INITIATIVE

(headquarters in Amsterdam)

A non-profit organization that promotes economic, environmental and social sustainability by providing a comprehensive framework of reporting parameters.

www.globalreporting.org

CSR EUROPE

(headquarters in Brussels)

An organization founded in 1995 to encourage and support corporate social responsibility. CSR Europe has 50 corporate members and 45 national partner organizations. In total, the organization connects over 10,000 companies.

www.csreurope.org

AEF – ADVERTISING EDUCATION FORUM

A non-profit organization that provides information on advertising regulations at an international level, with a particular focus on advertising aimed at children.

www.aeforum.org

AIM – EUROPEAN BRANDS ASSOCIATION

A European association that brings together brand manufacturers, for a total of 1,800 businesses in 21 countries, disseminating information and raising awareness of issues such as developing, distributing and marketing brands.

www.aim.be

BONSUCRO

A non-profit organization that fosters the sustainability of the cane sugar industry through its metric-based certification scheme. Today its members total over 400 in 32 different countries, representing all stages of the production chain.

www.bonsucro.org

CAOBISCO – EUROPEAN ASSOCIATION OF CHOCOLATE, BISCUIT & CONFECTIONERY INDUSTRIES

An association that represents around 11,000 chocolate, biscuit and confectionery companies in the European Union with the aim of creating an innovative, modern and more sustainable chocolate, biscuit and confectionery industry.

www.caobisco.eu

EUFIC – EUROPEAN FOOD INFORMATION COUNCIL

A non-profit organization supported by companies in the food and beverage industry and by the European Commission. EUFIC provides information on and carries out research into food safety and quality.

www.eufic.org



EUROOPEN – THE EUROPEAN ORGANIZATION FOR PACKAGING AND THE ENVIRONMENT

An industry organization representing the packaging supply chain in Europe on topics related to packaging and the environment.

www.europen-packaging.eu

Food Drink Europe – EUROPEAN FEDERATION OF FOOD & DRINK INDUSTRIES

A European federation that promotes and represents the interests of the food and beverage industry.

www.fooddrinkeurope.eu

ICGA – INTERNATIONAL CHEWING GUM ASSOCIATION

A global association representing the interests of the entire chewing gum supply chain, covering ingredients to chewing gum base to finished chewing gum.

www.gumassociation.org

IFBA – INTERNATIONAL FOOD & BEVERAGE ALLIANCE

An organization bringing together the world's leading companies in the food and beverage industry with the shared goal of promoting a balanced diet and healthy lifestyle for consumers.

www.ifballiance.org

CGF – THE CONSUMER GOODS FORUM

A global network that brings together approximately 400 distributors, manufacturers, service providers and other stakeholders from 70 countries in order to promote efficient business practices with a view to positive change.

www.theconsumergoodsforum.com

TIE – TOY INDUSTRIES EUROPE

An organization that represents the interests of toy manufacturers in the European Union and promotes the role of toys and the act of playing in children's educational, physical and social development.

www.tietoy.org

WFA – WORLD FEDERATION OF ADVERTISERS

A global organization uniting national associations and businesses in the advertising industry that today have a 90% market share of the advertising market, promoting responsible and effective communication.

www.wfanet.org

WSRO – WORLD SUGAR RESEARCH ORGANIZATION

An international scientific research organization dedicated to encouraging a better appreciation of the direct and indirect contribution made by sugar to the nutrition, health and well-being of all the populations of the world.

www.wsro.org



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Since 2011, the Ferrero Group has been implementing the ABCDE Plan (A Business Code Dialogue Engagement), aimed at sharing our Code of Business Conduct with all stakeholders in the value chain, and in 2013 the goal of sharing was achieved.

The code is based on the Ferrero principles, complies with our Code of Ethics and defines Ferrero practices in the following areas:

1. excellent product quality and safety;
2. commitment to protecting human rights;
3. environmental protection and sustainability;
4. guaranteeing standards in the workplace environment;
5. business integrity.

The Code of Business Conduct has been our starting point, then specific verification protocols for the sustainability of agricultural raw materials have been created; in particular the Ferrero Farming Values protocol for the field production of hazelnuts, developed in partnership with SCS Global Services, which provides the verification audits of our supply chain.

Following this example, a Ferrero Farming Values protocol has been developed for the milk supply chain as part of the "Milk Supply Chain Partnership Project". The goal of this project is to build partnerships with suppliers to develop and consolidate an action plan to achieve the standards defined by the Ferrero supply chain protocol.

Furthermore, since December 2013, Ferrero has been part of the Supply Chain Initiative, promoting the implementation of the Principles of Good Practices in Vertical Relations in the Food Supply Chain.

The Supply Chain Initiative was jointly launched by seven European associations with the aim of increasing fairness in trade relations throughout the entire food supply chain.

In March 2018, the promoters of the Supply Chain Initiative submitted their fourth annual report, that provides an overview of progress and achievements in the Supply Chain Initiative since its launch in September 2013.



Since December 2013, Ferrero has been part of the Supply Chain Initiative



Code of Ethics, both available at:

www.ferrero.com

Principles of Good Practices in Vertical Relations in the Food Supply Chain:

www.supplychaininitiative.eu

Milk Supply Chain Partnership Project.

For further details, please see the chapter
"Our Value Chain – Choose"



HUMAN RIGHTS

RESPECTING HUMAN RIGHTS IN FERRERO

Ferrero's commitment to the respect of human rights, together with our Company values, constitutes the basis of our approach to business, through policies and our everyday activity. We confirm our strong determination to contribute to the elimination of all forms of modern slavery, human trafficking, forced or compulsory and, prison labor, as well as child labor, starting from its worst forms.

We already strongly promote respect for human rights and have zero tolerance for any form of human rights abuse along our value chain. We furthermore adhere to the Ten Principles of the United Nations Global Compact and to the United Nation Guiding Principles of Business and Human Rights.

We understand the significant work to be done and are committed to improve our existing efforts on advancing respect for human rights. We engage with different stakeholders on human rights and have defined a binding Code of Ethics and Code of Business Conduct all along our supply chain, laying out our human rights expectations to our suppliers and collaborators who are contractually required to comply with them.

We believe that human rights due diligence, an on-going risk management process to identify, prevent, mitigate adverse human rights impacts, is key to ensuring the respect of human rights within our own operations and along the supply chain. For this reason, we have started reviewing our approach through a human rights lens and conducting a series of impact assessments.

We also believe that partnerships are critical to address the complexity of human rights issues. We collaborate with a variety of stakeholders from business partners, to international organizations, governments and non-profit organizations to tackle the issues collectively.

UNDERSTANDING OUR IMPACTS ON CHILDREN

Children and young adults have always been the key stakeholders of Ferrero.

We have therefore begun a partnership with Save the Children to explore our impact on children and children's rights in value chain through the lens of the Children's Rights and Business Principles (CRBP).

In mid-2017, an awareness raising workshop was organized by Save the Children at Ferrero to start understanding what a child rights impact assessment is and to create initial awareness on children's rights.



Source: Children's Rights and Business Principles (UNICEF, the United Nations Global Compact and Save the Children)



**We believe that
partnerships are
crucial to address
the complexity of
human rights issues**



HUMAN RIGHTS

CONTINUED

RESPECTING HUMAN RIGHTS IN SUPPLY CHAINS

Responsible Sourcing

We have a wide range of direct and indirect suppliers from small-scale producers to multinational businesses, including both critical suppliers that provide ingredients and packaging materials to our products, and indirect suppliers that provide services to support our operations. We acknowledge that our sourcing activities not only contribute to impact on workers, but also present opportunities to support local communities.

We expect all our business partners to uphold our Code of Business Conduct, which lays out our human rights expectations. Through our Supplier Sustainability Program, we are finding ways to measure and improve practices of suppliers to address any identified human rights and labor issues through:

- Risk and opportunities analysis.
- Compliance and improvement.
- Capability building.

From 2015–2017, more than 280 third-party supplier CSR assessments had been carried out in both direct and indirect supply chain categories.

Sustainable Agriculture

In the agricultural sector, migrant workers, women, and children often are exposed to hazardous conditions and are vulnerable to poor labor practices such as forced labor, human trafficking, and child labor. As a relevant stakeholder in the supply chain, Ferrero is committed to address human rights issues and advance the promotion of human rights along our agricultural supply chain, reaching out all the way to our farmers.

For this reason, Ferrero aims to promote good human rights and labor practices and improve the living and working conditions of the workers, through a dedicated program, F-ACTS – Ferrero Agricultural Commitment to Sustainability

For each raw material, a tailored Ferrero Farming Value (FFV) program is designed. The program focuses on all key sustainability impact areas including human and labor rights. It is guided by specific objectives, based on a 3-pillar approach: development of dedicated projects and partnerships, adoption of standards and certifications, institutional and collective engagements.



Third-party supplier
CSR assessments
carried out from
2015–2017

280



Read more about our Supplier Sustainability Program in “Choose” Chapter.



FFV PROGRAM ON HAZELNUT SUPPLY CHAIN

Addressing migrant workers and child labor issues in Turkey.

Turkey produces around 75% of the world's hazelnuts annually and Ferrero remains one of the largest players in the country. As such, we are committed to an ethical and sustainable supply chain.

In 2013, in order to better understand the hazelnut supply chain in Turkey, Ferrero commissioned a local non-profit organization, Development Workshop, to research the human rights impacts of hazelnut agriculture on seasonal migrant workers and their children. A special focus was put on workers' livelihood, labor and children's rights in the Western Black Sea Region, where hazelnuts are produced.

The study has identified a number of immediate risks encountered by the seasonal migrant workers and their children from participating in hazelnut harvest activities, such as limited access to clean potable water in the household poor nutrition and long working hours. In response to the results of the assessment, we decided to implement the FFV hazelnut program to help improve production quality and help address the identified social issues affecting these communities.

On the basis of the assessment, Ferrero developed a hazelnut Production Standard in collaboration with SCS Global Services, a leading global certification and sustainability service provider. The Standard encompasses four major areas: Good Social Practice, Good Agricultural Practice, Post-harvest Quality and Traceability; and serves as the guiding principles of the program.

In addition, the program focuses on improving the working conditions and well-being of farmers and seasonal workers and their families. Some of the activities include:

- Training and dialog with hazelnut farmers on social challenges such as working conditions and child labor.
- Tailored training for women on the awareness of children rights and child protection.
- Caobisco-ILO Private-public partnership project on eliminating the worst forms of child labor in agriculture in hazelnut harvesting regions.

Annual field audits and on-going monitoring and evaluation (recent project) are carried out to understand the level of compliance and our impacts on the ground.



**Find out more:
“Choose” Chapter.**



Turkey's production
of global hazelnut
supply

75%



OUR CONSUMERS

Consumers are our key stakeholders and our passion to satisfy them is at the heart of our daily activities.

Everything we do, we do for consumers: producing products of the highest quality, investing in on-going innovation, our commitment to freshness and food safety and responsible communication. In particular, we dedicate our attention to the needs of parents and their children, through the activities of the Kinder Surprise Company.

Nutrition	26
Innovation	30
Quality	31
Responsible Communication	34
Kinder Surprise Company	40



For more information visit:
www.ferrerosr.com





NUTRITION

Nutrition is a fundamental element of life: both a pleasure and a necessity. Ferrero produces and markets some of the world's best-loved confectionery products, in over 170 countries.

These products are of high quality and can be integrated into a varied diet and an active healthy lifestyle. A healthy and balanced diet is the basis for human well-being. One of our corporate goals is to help our consumers make correct food choices and encourage them to adopt a varied and balanced diet, which provides essential nutrients and the right amount of energy from every food type.

We believe that all food types can be equally part of a varied and balanced diet, without drastically restricting certain foods, or condemning individual ingredients or specific nutrients.

The body of scientific evidence on food and nutrition is wide and keeps growing. In light of this, the role of our "Great Brands" in daily nutrition is in line with the basic guidelines of modern nutritional science:

- a varied and balanced diet provides all necessary nutrients;
- a healthy diet is based on the inclusion of all food types when consumed in proper amounts;
- a daily and moderate physical activity ensures a healthy lifestyle, while a sedentary lifestyle is a predisposing factor for becoming overweight and obese.

In line with these principles, we have developed our strategy based on:

1. the careful selection of high-quality raw materials that provide essential energy and micronutrients: the physiological role of these ingredients' natural components is preserved by peculiar strategic industrial processes, preserving their quantity and importance;
2. the promotion of foods that can be integrated into food education programs for both consumers and the medical-scientific community;
3. suitable portions of our products that can help consumers better manage their daily energy needs within their overall diet;
4. the development of an educational program dedicated to promoting active lifestyles.

For more than 10 years, and therefore well ahead of general food safety guidelines, we have selected our raw materials according to strict quality criteria and have carefully produced and handled our finished products. This has enabled us to avoid the use of hydrogenated vegetable oils, which contain trans-fatty acids (TFAs, which are recognized harmful to health), and to not fortify our products with artificial micronutrients during industrial manufacturing processes.



Number of countries where Ferrero distributes

+170





We believe that food education is the most structured and effective approach to promoting healthy nutrition and healthy diet choices. Offering our products in portions with low-calorie load allows consumers greater flexibility in managing their daily intake of food.

Clear and simple food labels facilitate and promote food combinations in line with main nutritional recommendation of recognized institutions, supporting the development of a healthy lifestyle. Our educational program is constantly expanding its horizons to cover ways of improving food and nutrition knowledge and information, and this year we involved the medical-scientific community.

To celebrate Ferrero's 70th anniversary, we launched a specific campaign to raise awareness within the medical community of the key elements of our research, along with more general scientific evidence, which support the role and importance of the main ingredients in Ferrero products. In particular, the research evaluating the role of saturated fats in the human diet was particularly noteworthy: today, saturated fats, when maintained at 10% of the overall energy intake, are believed to have a lower impact on health than previously thought.

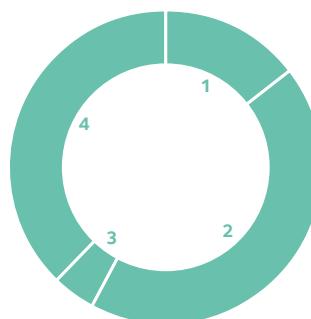
Hazelnuts, which are a major ingredient in Ferrero products, have a positive nutritional role thanks to their antioxidants and micronutrients (vitamin E). Scientific studies have also shown that hazelnuts have significant positive effects on vascular elasticity.

We believe that the whole diet, rather than any single food, determines health, and that a desire for well-being increasingly drives consumers' food choices. We have fused the concept of sustainability with these notions of a healthy diet and the desire for well-being, concluding that a belief in and affirmation of "sustainable nutrition" is the only possible evolution of nutrition.

Great Brands in small portions

Analysis of the nutritional impact of our products has been deepened and refined. 62 SKUs (Stock Keeping Units) covering 95.1% of our marketed volumes were considered. The exclusion criteria concerned seasonal products (for example, Easter or Christmas product), and mixes and mini versions in which the dose remains the same as the original "mother" product.

The role of our products within consumers' habits is absolutely in line with their overall positioning for the confectionery food sector. In particular, BMEE (Between Meals Eating Episodes) is the most represented consumption occasion for our products, according to marketed volumes.



**Breakdown of the marketed volumes*
according to the target eating occasion**

1. Breakfast	14.5%
2. BMEE	43.4%
3. Dessert	4.4%
4. Occasional	37.7%

* % volume of products marketed worldwide, in the period 2016/2017. Ferrero internal source.



**Our marketed volumes
considered for
nutritional impact**

95.1%

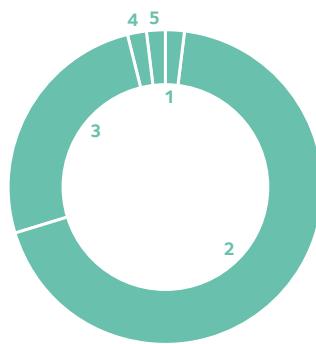
62 SKUs



NUTRITION

CONTINUED

Across all specific food episodes, taking into account the marketed volume in fiscal year 2016/2017, 68.2% are marketed in a portion of 100 kcal or less. Only 3.7% of the marketed volumes provide more than 150 kcal/portion.



Breakdown of Ferrero products according to energy delivered by portion on marketed volumes*

1. ≤10 kcal	2.2%
2. >10 – ≤100 kcal	68.2%
3. >100 – ≤150 kcal	25.8%
4. >150 – ≤200 kcal	2.0%
5. >200 kcal	1.7%

* % volume of products marketed worldwide, in the period 2016/2017.
Ferrero internal source.

In accordance with our nutritional principles and the system proposed in recent years, 92.2% of our marketed volume is composed of portions with a calorie load of ≤130 kcal, confirming our commitment to promote products that can be combined in individual structured eating episodes with flexibility.

Scientific work on the definition of the metabolic impact of Ferrero products has continued and the available data now accounts for 53 of the products on the market (85% of SKUs), namely more than 90% of our marketed volumes. We have Glycemic Index (=GI) data for our entire product range and we routinely determine the glycemic index of all new products under development. Due to their composition and structure, the vast majority of our products have a low or medium Glycemic Index: 83% are rated as low GI, 9% as medium GI and only 8% as high GI.

Compared to last year, the percentage of our marketed volumes of products with a caloric content of less than 130 kcal/portion has risen from 86% to over 92%.

This confirms three important elements:

- the respect for the Pledges we have signed;
- the importance of clear and transparent labeling in providing correct consumption indications;
- the role of single-wrapped portion as an implicit and strong indication of use.

These results confirm our concrete support for the promotion of responsible consumption of confectionery food products. We make products that are to be enjoyed as an occasional treat as part of a balanced and varied diet. We are aware, as a food manufacturer, that the way in which our products are consumed is very important which is why we are able to satisfy consumers with great brands in small portions.



Products providing 100 kcal or less

68.2%

Only 3.7% provide more than 150 kcal



Products providing 130 kcal/portion or less

92.2%

6.2% rise from 86%

RESULTS OF OUR SCIENTIFIC ACTIVITY

We contribute to promoting good eating habits through a strong commitment to scientific research. In addition, efforts continue to promote breakfast especially among young people and moderate food consumption among all age groups.

In 2016/2017, on the basis of corporate values, we also carried out and supported scientific research activities in nutrition in various internationally recognized scientific institutes. Various university research groups have been involved, with unrestricted grants, maintaining the principle of impartiality, independence of the Institute and the intellectual freedom of researchers towards Ferrero, to obtain solid results from a scientific point of view.

The results of these scientific researches have been disseminated in various conferences, congresses and workshops and published in scientific journals with an excellent impact factor.

For Company Policy, however, much of this information is for internal use only or is published independently by the scientific authors.



The official list of research results presented below, in this edition of the social responsibility report, is therefore only a part of the scientific work undertaken in recent years by the Group and provides for scientific articles:

- Phillips, F. and Ruxton, C.H. "Scientific evidence and daily food for a better life: Milan, 19 June 2015". Public Health vol. 140: 73-79 (2016).
- Fattore, E. et al. "Effects of free sugars on blood pressure and lipids: a systematic review and meta-analysis of nutritional isoenergetic intervention trials". The America Journal of clinical nutrition (2016).
- Magagna, F. et al. "Black tea volatiles fingerprinting by two-dimensional comprehensive gas chromatography–mass spectrometry combined with high concentration capacity sample preparation techniques: toward a fully automated sensomic assessment". Journal of Food Chemistry (2017).
- Codella, R. et al. "Effect of Sugar versus Mixed Breakfast on Metabolic and Neurofunctional Responses in Healthy Individuals". Journal of Diabetes Research (2017).
- Portion Control Opportunities in Children's Diets. Femke W.M. Damen, Ellen Van Kleef, Carlo Agostoni, and Eva Almiron-Roig Food Technology Vol. 71, No.11 November 2017.
- Mena, P. et al. "The Pocket-4-Life project, bioavailability and beneficial properties of the bioactive compounds of espresso coffee and cocoa-based confectionery containing coffee: study protocol for a randomized cross-over trial." Trials 18.1 (2017): 527.
- Adamo, M. et al. "Effects of hazelnuts and cocoa on vascular reactivity in healthy subjects: a randomized study". International Journal of Food Sciences and Nutrition (2018): 1-12.
- Fanali, C. et al. "Effect of solvent on the extraction of phenolic compounds and antioxidant capacity of hazelnut kernel" Electrophoresis – special issue 'Foodomics and Food Analysis 2018'.

- Fattore E., Massa E. "Dietary fats and cardiovascular health: a summary of the scientific evidence and current debate" International Journal of Food Science and Nutrition (2018) 4:1-12.
- Cossu, M. et al. "A nutritional evaluation of various typical Italian breakfast products: a comparison of macronutrient composition and glycaemic index values." International journal of food sciences and nutrition (2017): 1-6.
- Rosso, M. C. et al. "Evolution of potent odorants within the volatile metabolome of high-quality hazelnuts (*Corylus avellana L.*): evaluation by comprehensive two-dimensional gas chromatography coupled with mass spectrometry." Analytical and Bioanalytical Chemistry (2018) 410(15):3491-3506.

"NUTRITIONAL PASSPORT" OF FERRERO PRODUCTS

A document related to each product, that summarizes its nutritional characteristics and its consumption occasion (breakfast, BMEE, dessert, or occasional), is shared among the various working groups in Ferrero that are involved in nutritional issues.

The document also offers an assessment of the metabolic response to the consumption of the Ferrero product under examination, and, for some of them, further scientific research and clinical studies that have implications for its nutritional characteristics.

Currently, these "Nutrition passports" involve approximately 89% of our marketed volumes in 2016/2017.





INNOVATION

Our approach to innovation combines two complementary and mutually reinforcing models.



The “Product To Science” model starts from an idea of a novel product, which sets the stage for looking for the science that can enable this innovation. The “Science To Product” model, on the other side, is fed by the ongoing exploration of new ideas and innovations from the world of science and technology, which in turns inspires Ferrero with new ideas and product concepts.

PRODUCT TO SCIENCE

Innovation is one of the main drivers of our success: over the last 50 years, we have created innovative products that have become, over time, true icons of the chocolate confectionery sector.

Studies aimed at innovation are carried out by a dedicated research and technology company within the Ferrero Group: the company allocates resources and expertise to the search for new products that can respond to consumer needs – even those that are not yet discernible by consumers. Through the work of researchers engaged in both technical studies and in identifying modern nutritional needs and food trends, we use new ingredients and innovative production technologies to create unique products, which excel in terms of taste and quality and respect the Ferrero philosophy and value system.

The lead up to the market launch of a new product is a long and rigorous process: the phases of analysis, research and product testing precede product launches in preselected “test” markets, where consumers’ appreciation of the new product is closely monitored. Only when the product successfully passes the numerous phases of testing does it undergo industrial production.



Innovation is one of the main drivers of our success for over

50 years

creating true iconic products

Behind every new product, which may seem quite simple in the eyes of consumers, there is a unique, state-of-the-art patented technology, which clearly demonstrates the great passion and competence we invest in the continual innovation of our products.

SCIENCE TO PRODUCT

Ferrero Open Innovation (OI) Science embodies the “Science To Product” model: it explores, identifies, evaluates and selects external breakthrough innovation in science and technology that can deliver substantial impact for Ferrero innovation.

OI Science focuses on agriculture-related science and technologies, innovation that could improve and optimize the metabolic response to Ferrero products and deliver optimization of their nutritional value, significant improvements in product protection and packaging, and biotechnology.

The potential impact on the sustainability of our products and their related supply chain represents a key driver for the exploration and a very important selection criterion for the innovation opportunities being pursued. For example, OI Science has been very active in the research of novel sustainable materials for packaging, in new breakthrough technologies that enable us to understand the full traceability of the origin and the quality of raw materials, and sustainable agricultural biome optimization.





QUALITY

Our Quality System guarantees a global presence through our Group Quality Department and a number of Local Quality Departments located within our various commercial and manufacturing subsidiaries.

The Group Quality Department supervises the entire value chain – from raw materials through to market. It works in close contact with Local Quality Departments to define quality objectives and periodically monitor performance through a complex system of indicators and auditing procedures. Quality results are published periodically in dedicated reports, which are shared with all relevant departments and corporate management. In order to achieve a uniform level of quality along the entire value chain and in each Ferrero plant across the world, we have run an important project, called “One Quality”, for several years. This project reached its final step in the FY 2016/2017, bringing together all staff members dedicated to Quality Assurance.

FERRERO'S QUALITY POLICY

As stated in our Quality Policy, our main goal is to reach the highest level of quality, as perceived by consumers.

To achieve this, our business model is built to ensure the following: organoleptic excellence at the time of consumption in all global markets; maximum product freshness throughout the entire supply chain; and attractive product and packaging design, which is in fully compliance with leading environmental standards to avoid unnecessary product and packaging waste.

For example, throughout the summer season, in certain geographic areas where high temperatures may affect the organoleptic characteristics of Ferrero products before they reach the consumer, we suspend the supply of highly sensitive products, such as FERRERO ROCHER and MON CHERÌ pralines, and in some cases, even remove them from the market.

QUALITY AND FRESHNESS

To measure perceived quality at point-of-sale, we have identified a “general list of flaws”, based on perceived quality controls, against which all of finished products on the market are checked. During FY 2016/2017, over one million quality controls were carried out at selected points-of-sale worldwide, to test finished products for freshness levels. During the checks, temperature data was collected and in almost 400,000 of them, specific quality and consumer tests were carried out to verify the exact conditions to which products on the shelves were exposed.

In order to ensure that products comply with our high taste standards, in addition to the usual laboratory tests, a sensory evaluation is also carried out. This “taste test” judges all aspects a product’s taste 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;
- management taste tests, carried out by managers of production units;
- “spider web” tests, carried out at the centralized product Observatory by a panel of selected tasters.



**Finished products
tested for freshness**

+1 million

during 2016/2017



**Number of specific
quality and consumer
product tests**

400,000

to verify exact conditions
they were exposed to on
the shelves





QUALITY

CONTINUED

In FY 2016/2017, more than 18,500 taste tests were carried out globally on FERRERO ROCHER during the production phase and at the centralized product observatory. During this year a new global project was rolled out in order to:

- improve the skills of taste testers;
- reach a higher comparability of the results obtained from all taste tests around the globe;
- evaluate even more effectively the true level of organoleptic quality perceived by consumers.

The project involved taste tests of our products by a panel of 1,011 tasters around the world. All tasters were selected and trained according to the new Ferrero Group Tasting Procedure, and tests are now being carried out centrally by people working in the centralized product Observatory, located in Alba and locally by plants and BUs' tasting teams.

We manage final consumer feedback ourselves. For this reason, our Consumer Complaints Method function was created in March 2017 as part of the Ferrero Group Quality Department. We have defined and developed a Group system for quality complaints management and also implemented a continuous monitoring of the process execution that allows us to fully support the improvement of product quality by resolving the cause of complaints through systematic and consistent analysis of all consumer feedback. Since 2015, we have had our own central database, in which all consumer feedback is collected in a standard and structured way. This database, called GCC (Consumer Contact Management), currently allows us to monitor centrally the 98.6% of sales volumes, with the remaining 1.4% related to markets in developing countries.

To support continuous improvement, we have started developing an enhanced version of the current GCC tool, to drive and improve our complaints handling process. The project was launched in 2017 and by the end of FY 2018/2019, our new tool, Ferrero CARE, will be released. This will be an important step towards meeting our Group goal: by 2020, to move from a central complaints monitoring system to the implementation of a Quality System based on a uniform set of definitions, procedures and operating methods applicable to all our affiliates and Group companies. The main objective of this shift is to implement a clearer definition of service standards regarding complaint management through the identification and monitoring of Key Performance Indicator (KPI) processes.



Taste tests carried out globally on FERRERO ROCHER

18,536

during production phase



Tasters from around the globe

1,011

THE ADVANCED STANDARDS OF FERRERO PLANTS

In our production plants, a dedicated integrated global "SAP" system is used to guarantee an integrated software system, through which all data on Quality control processes are shared, integrated and managed centrally. At present, the system is operational in most of our production plants around the world, enabling the collection and processing of data in a globally coordinated way.

Focusing on processes within our Quality model, the system is fully implemented in all plants, except at the Yaoundé plant (Cameroon) where a project is on-going for the implementation of IPC (management of process controlling) and Fenice (quality management system). We achieved this goal in May 2018.

We have a highly rigorous quality system in place, guaranteeing product excellence in all of our global production sites. We also complete integrated and systematic inspections, which are carried out by the Group Quality Auditor Team along the entire logistics chain. These inspections are carried out at all of our plants, warehouses and contractor premises to verify the correct application of our stringent standards on product and food safety and of our Quality Management System.

The Quality of production processes carried out by our contractors is also guaranteed by our integrated monitoring system, referred to as "continuous monitoring", which we launched in FY 2015/2016.

This process involves systematic inspections and audits that are carried out by local managers at various levels, in addition to inspections and auditing activities already carried out by our Co-manufacturing Quality Team. The "continuous monitoring" system is due for completion in FY 2018/2019, and will be supervised by the Group Quality Department. This system includes the definition of rules and operating methods as well as providing any necessary training for the local staff.

To ensure the effectiveness of the whole Ferrero Quality System, all of our production sites have been subjected to international recognized Quality Certification by an accredited third-party certification body. The international standard for Quality Management System certification that we use is the ISO 9001 standard. In 2017, the Group succeeded in including all the production sites in ISO 9001:2015 certification, three years ahead of our 2020 target.



Our Food Safety Management System has been accredited to FSSC 22000 certification across all our production plants. In addition, other certified management standards are required locally, to meet market demands (for example, IFS) or governmental policy requirements.

As part of a continuous process of adaptation, we promptly activate the certification procedure according to the two international standards, referenced above, for each new production plant. This is so in the case of our most recent addition, Alfreton plant in UK (ex-Thorntons), where an integration project is on-going, with the specific target to reach both ISO 9001 and FSSC 22000 certifications. The plant is already certified against BRC Global Standard and other local certifications, which guarantee, together with the internal inspections performed by the Monitoring System Plant Team, its full compliance with the higher standards of food safety and quality management that we require.

RESULT OF EXTERNAL AUDITS

ISO 9001:2015 – Certification of the Ferrero Quality Management System

Within the framework of ISO 9001 certification, the third-party certification body sampled seven plants last year. Their surveillance audits were carried out at the following production sites: Alba (Italy), Balvano (Italy), Villers Ecalles (France), Hangzhou (China), Vladimir (Russia), Walkerville (South Africa), La Pastora (Argentina) and the company headquarters in Luxembourg. Overall, the external audit results are positive, with no site having any major "non-conformity" issues.

FSSC 22000 – Certification of the Ferrero Food Safety System

Regarding the framework of FSSC 22000 certification, all certified production plants in the Group were audited in FY 2016/2017 to verify the standard compliance. The overall outcome was positive with no major "non-conformity" issues found at any of the production sites.

IFS – International Food Standard

Audits were carried out in FY 2016/2017 to verify compliance with the IFS standard at production sites in Alba, Arlon, Belsk, Cork and Stadtallendorf. The audits resulted in a high level of compliance, called "Higher Level," with an average score of over 97%.



Number of controls on raw materials

670,000

across 20 production plants



Number of controls on both primary and secondary packaging

1.3m

including organoleptic tests and defect detection tests

TRACEABILITY AND SAFETY OF RAW MATERIALS

We have always paid careful attention to the selection of raw materials and ingredients.

In fact, it is the quality and freshness of the raw materials and ingredients we select that determine the particular sensory characteristics of our products. For this very important reason, we have developed innovative internal procedures to ensure freshness and quality, for example our so-called "sacco conosciuto" – effectively all the procedures carried out by our specialized food technicians, such as organoleptic controls and analysis, supplier inspections and food safety practices to guarantee the raw materials' traceability.

All of our global suppliers are selected and evaluated using a clearly defined set of criteria, through an electronic platform that connects them with our expert food technologists.

The Ferrero Commercial Code of Conduct also requires on-going and continuous inspections to be carried out directly at suppliers' production sites, during which we implement specific control on the systems and procedures adopted by our suppliers to ensure the security and quality of the supplies.

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

In the FY 16/17, across 20 Ferrero production plants we carried out:

- about 670,000 controls on raw materials, which include chemical, chemical-physical and microbiological analysis, in addition to the controls on semi-finished and finished products;
- more than 1,333,000 controls on primary and secondary packaging, including organoleptic tests and defect detection tests.

To further strengthen the concept of a "Professional Quality family", we hold an annual Quality Convention, which is attended by all colleagues involved in Production Quality, Commercial Quality and Group Quality Management unit. The main objective of the event is to strengthen the concept of "Group Quality" through three days of sharing ideas, problems and best practices. More than 80 Ferrero colleagues working across the world attended this convention last year.



RESPONSIBLE COMMUNICATION

For any business, being socially responsible means voluntarily adopting practices and behaviors that go beyond legal requirements.

For Ferrero, this means adopting a series of self-regulation systems, in particular those relating to nutrition labeling and advertising, as well as participating in programs that promote physical exercise and good eating habits. At Ferrero, we think that these steps will tangibly improve the social context in which we operate.

We support the notion that responsible commercial communications can help consumers to make appropriate choices about food and beverage products, and to understand the role that nutrition, diet and physical activity can play in achieving a healthy and active lifestyle. By developing commercial communications that are consistent with the principles of good nutrition, balanced diet, physical activity and personal choice, industry can play an important role.

As a global player in our industry, we consistently apply the "Framework for responsible food and beverage communication" adopted by the ICC, International Chamber of Commerce, as well as the regional and national self-regulatory codes developed locally on that basis. We recognize the need for proper enforcement mechanisms to sanction or amend advertisements that do not meet these self-regulatory requirements.

We deeply believe that an effective self-regulation of commercial communications provides a valuable framework to best serve the consumer's interest in receiving truthful and accurate communications. This is why Ferrero is an active player in the self-regulatory process at a national and international level. In particular, we are a member of:

- the International Food & Beverage Alliance (IFBA), through which world's leading food companies commit to promote self-regulation programs regarding formulation and portioning of food, nutrition information to consumers, responsible advertising and physical exercise;
- the World Federation of Advertisers (WFA), an international organization which promotes good and efficient practices in relation to responsible advertising.

Together with other companies, we participate in a number of self-regulatory initiatives, including:

- responsible advertising aimed at children EU Pledge;
- the promotion of fair practices along the food supply chain.

As of 2006, in the framework of the European Platform for diet, physical activity and health, chaired by the European Commission, we made a series of commitments on healthy lifestyles. These particularly concerned: product formulation and portions sizes; responsible advertising and the promotion of physical activity, through our Kinder + Sport program and by supporting national EPODE-based programs in selected countries.

We support the notion that responsible commercial communications can help consumers to make appropriate choices about food and beverage products, and to understand the role that nutrition, diet and physical activity can play in achieving a healthy and active lifestyle.



International Food & Beverage Alliance (IFBA)

www.ifballiance.org

World Federation of Advertisers (WFA)

www.wfanet.org/en

EU Pledge: www.eu-pledge.eu

Promotion of fair practices along the food supply chain: www.supplychaininitiative.eu





MONITORING OF COMMITMENTS

In order to reinforce the credibility of our commitments, every year we subject our performance in this area to certified monitoring by external third-party organizations.

ADVERTISING MONITORING AT A GLOBAL LEVEL

At a global level, we apply the "IFBA Global Policy on Advertising and Marketing Communications to Children". In accordance with this policy, we do not advertise our food products through TV, radio, print, cinema, online (including company-owned websites), DVD/CD-ROM, direct marketing, product placement, interactive games, outdoor marketing, mobile and SMS marketing, to audiences primarily composed of children under the age of 12.

During 2017, we worked hard towards establishing new or reinforced local advertising pledges in key markets such as Mexico and Turkey. Local pledges of this kind aim to implement the general IFBA Policy by involving local companies.

This year marked the beginning of the application of the responsible marketing "reinforced commitments". As of January 1st, 2017, we have committed worldwide to avoid product marketing communications that are primarily directed to children under 12-years-old in all media controlled by us. Beyond the placement of advertising, we also consider the content of our communication, making sure that it is not designed to appeal primarily to children under 12.



Further details on Ferrero Responsible Marketing can be found on:
[www.ferrero.com/social-responsibility/
ferrero-advertising-and-marketing-principles/
responsible-advertising-marketing](http://www.ferrero.com/social-responsibility/ferrero-advertising-and-marketing-principles/responsible-advertising-marketing)



RESPONSIBLE COMMUNICATION

CONTINUED

AT A EUROPEAN LEVEL

In Europe, we take part in the EU Pledge initiative, which fosters a responsible approach to food product advertising to children under the age of 12 on TV and print media, as well as on the Internet. The commitments were subject to an annual monitoring program carried out by two external organizations:

- Accenture Media Management⁵ monitored television advertising broadcast in: Romania, France, Germany, Hungary, Italy and Spain;
- The European Advertising Standards Alliance (EASA)⁶ monitored the websites of EU Pledge signatories through the evaluations carried out by the national organizations for advertising self-regulation in: Bulgaria, France, Germany, Hungary, Spain and The Netherlands.

The overall compliance rate for television advertising by signatories to the EU Pledge is 95.6%.

In relation to website monitoring, this year a total of 224 websites were checked and the overall compliance rate was 99%.

Last year, we conducted intense coordination activity with the various teams involved in the topic of responsible advertising (marketing/legal/media planning/business units), to continue to ensure the highest possible level of compliance. In addition, the Group continued to develop internal guidance tailored to the specific need of different markets.



Further details on Ferrero Responsible Marketing can be found on:

[www.ferrero.com/social-responsibility/
ferrero-advertising-and-marketing-principles/
responsible-advertising-marketing](http://www.ferrero.com/social-responsibility/ferrero-advertising-and-marketing-principles/responsible-advertising-marketing)



Overall TV advertising compliance rate

95.6%

by signatories to the EU Pledge



Overall website compliance rate

99%

by signatories to the EU Pledge



In Europe, we don't advertise any food products to children under the age of

12 years

⁵ The data presented in the Accenture Media Management report refers to the first quarter of 2017.

⁶ The data presented in the Accenture Media Management report refers to September and October 2017.

With regard to television advertising, our individual compliance rates for 2017 were: Hungary: 99.7%, Germany: 99.9%, France: 99.9%, Italy: 99.3%, Spain: 99.5%, Romania 91.1%.

We were informed of a few minor cases of non-compliance and quickly took action to identify the adverts in question and take the necessary corrective action.

Out of 224 company-owned websites monitored by EASA, 23 belonged to Ferrero. All of them contained product promotion but only one was found to be non-compliant with the EU Pledge. Internal corrective actions were immediately implemented. In addition, our internal guidelines on responsible advertising were updated according to the results of the 2017 EASA monitoring.

EU PLATFORM FOR DIET, PHYSICAL ACTIVITY AND HEALTH

Through our involvement in the EU Platform for Diet, Physical Activity and Health, we are committed to presenting an annual monitoring report. This covers each of the commitments made on: product formulation and portion sizes; food education; promotion of physical activity; and responsible marketing communication. The European commission assesses these monitoring reports every year.

On the basis of the monitoring reports of the Platform members, each year the European Commission issues a general report summarizing the activities of the Platform, providing an analysis of the commitments and putting forward conclusions and recommendations for the future.





THE LABELS SPEAK FOR THEMSELVES

In compliance with the current legislation applicable in the different countries, we provide consumers with accurate and transparent nutrition information on the back of packs.

In addition to the requirements of the laws of each country, we provide additional nutrition information on the front of pack, to help consumers get a clearer understanding of labels.

Regulation (EU) No. 1169/2011 on the provision of food information to consumers came into force on December 13th, 2014, setting new requirements for food product labels. In line with the requirements of this regulation, we provide nutrition information on the front of pack of products in the KINDER® and NUTELLA® ranges and our Ferrero snacks, on a voluntary basis, respecting the labeling recommendations of FoodDrinkEurope (the European Federation of food and drink industries).

In the European Union, this commitment to voluntarily display information on the front of pack covers 100% of our eligible products (KINDER® and NUTELLA® ranges and Ferrero snacks). This percentage does not cover small packs or seasonal products, as the recommendation explicitly exempts such categories.

The logo on the front of pack, when repeating information already present on the back of pack, provides voluntary nutritional information in line with EU regulation 1169/2011.

Per 25 g:

586kJ
140 kcal
7%*

Per 100 g:
2343 kJ / 560 kcal

Image 1:



Image 2:



More specifically this information includes: the energy value and the amount of nutrients provided per 100 g of the product and per portion, in kilocalories and kiloJoules; and the indication of what this amount represents as a percentage of an average person's daily dietary needs (8,400 kJ/2,000 kcal).

In order to ensure consistency across our Group, we offer voluntary nutritional information on the front of packs outside of Europe as well.

At a global level, we are committed to the full implementation of the "IFBA Principles for a Global Approach to Fact-based Nutrition Information" on eligible Ferrero products that was finalized by January 2017, with the exception of countries where applicable local regulation does not allow it.

Two examples of how the IFBA commitment on displaying calorie content on front of pack is put into practice are illustrated above, depending on different countries' requirements.

In countries where a recognized "reference intake" does not exist (or where use of RI is not permitted), only the calorie content for 100 g and/or per portion is displayed (Image 1). In other countries, where this is possible, both values are displayed, in absolute terms and as a percentage of the applicable reference intake (Image 2).





RESPONSIBLE COMMUNICATION

CONTINUED

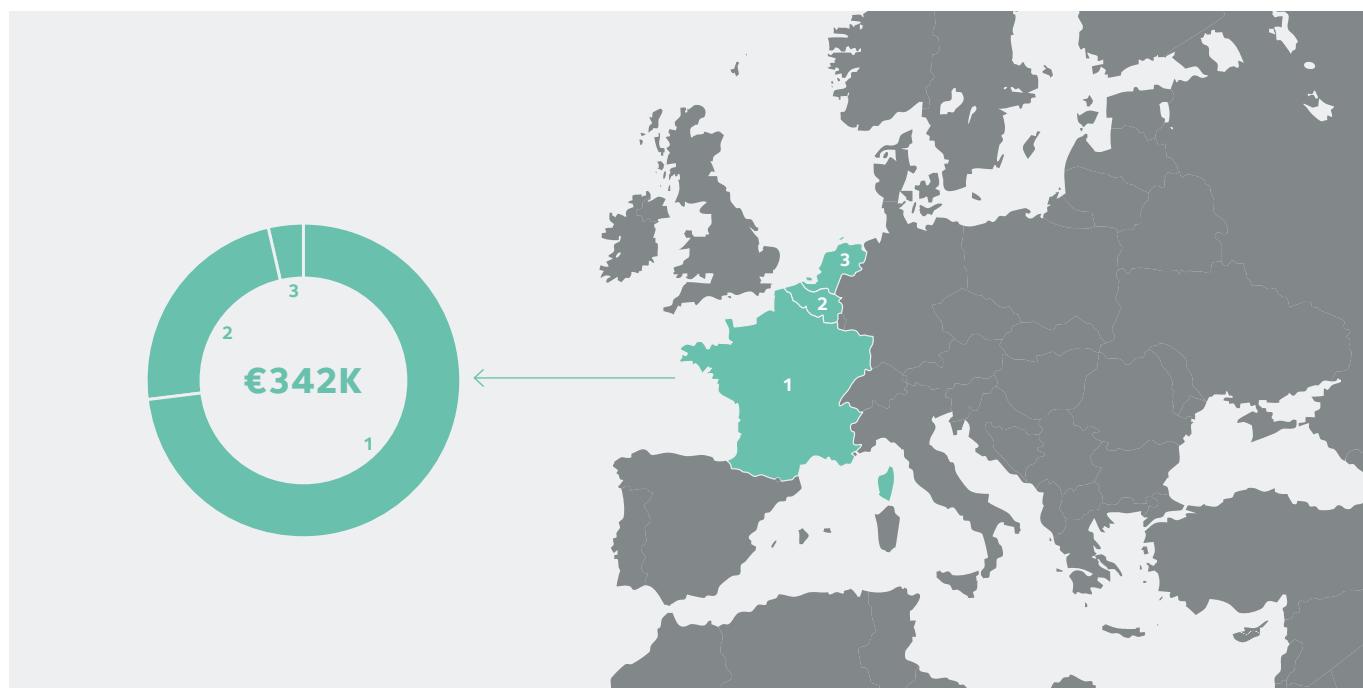
EPODE PROGRAM

The European Commission has formally recognized the importance of socially valuable public-private partnerships and identified EPODE as a best practice model to be replicated in other EU countries, as it joins multiple stakeholders, such as local authorities, health professionals, teachers, private partners and the local communities in an integrated approach to prevent childhood obesity at community level.

We have been a partner of the EPODE (Ensemble Prévenons l'Obésité Des Enfants) program and of the EEN (European EpoDE Network) since 2007. In 2017, we continued to participate in national EPODE projects in the following European countries:

- France: program **Vivons en forme (VIF)**. In 2017, the program focused on the theme "nutrition and physical activity" with the objectives of training teachers, nurses, project managers, while at the same time developing tools to communicate on those themes to children in schools.
- Belgium: program **Viasano**. In 2017, the program's objective was to facilitate the healthy choice for families in order to prevent childhood obesity.
- The Netherlands: program **JOGG**. Its objective is to help municipalities and local stakeholders to communicate on nutrition and the benefits of physical activities and exercise. Ferrero is only involved in the municipality of Breda.

1. France	Vivons en Forme www.vivons-en-forme.org	250 towns	2017	250,000
2. Belgium	VIASANO www.viasano.be	19 towns	2017	80,000
3. Netherlands (Breda)	JOGG www.jongerenopgezondgewicht.nl	Ferrero is only involved in Breda	2017	12,000







KINDER SURPRISE COMPANY

THE STORY OF OUR SURPRISES

For over 40 years, Ferrero's KINDER® products have contributed to the **happy growth of children of all ages**, generating moments of intense emotion every day.

Throughout this time the way we create our surprises has evolved, while always retaining our commitment to create safe and innovative products and to improve their quality over time.

The Kinder Surprise Company (KSC) is a division of the Ferrero Group and it is dedicated to all Kinder eggs and seasonals. In KSC we also create the small KINDER® toys, with features and playability developed and optimized specifically for the miniature scale of the KINDER® world.

KIDS AND THE VALUE OF PLAY

Children are our central reference point. They are curious, creative and have great imagination. They love to experiment, discover and be surprised. They are quick to learn and always look for new stimuli.

Both kids and parents search for moments of socializing and sharing through the joy of playing together.

This fundamental need explains the challenge we face: to continually provide new surprises and games that enable them to interact and create an emotional bond between them.

Kids are our future, and that is why we strongly believe that **a happy child today will produce a better adult tomorrow**.

Play is an essential part of children's lives and it is also one of their rights!





In line with this vision, the objective of Ferrero's KINDER® products is to create the most wonderful playing experience, in a surprisingly small format that generates great emotions.

Children's right to play is specifically recognized by article 31 of the United Nations Convention on Children's Rights. (Resolution 44/25 of November 20th, 1989).

RESOLUTION 44/25 OF NOVEMBER 20TH, 1989

1. States Parties recognize the right of the child to rest and leisure, to engage in play and recreational activities appropriate to the age of the child and to participate freely in cultural life and the arts.
2. States Parties shall respect and promote the right of the child to participate fully in cultural and artistic life and shall encourage the provision of appropriate and equal opportunities for cultural, artistic, recreational and leisure activity.

Play develops intellectual, creative and problem solving skills, imagination, the ability to relate to others, movement and coordination, especially at a manual level, along with the appetite for discovery and learning.

This requires absolute care and attention throughout the entire supply chain, from design to the production of the final product.

For all these reasons, all of our surprises must encapsulate some shared features:

- **The curiosity of opening the egg:** discovering the product and trying to guess what is inside creates emotions that stimulate the child's imagination every time.
- **Playability:** assembling the surprise stimulates imagination, logical reasoning and motor skills. The toy engages children immediately, offering them the chance to play with it in several different ways.
- **Interaction with other children and with parents:** the nature of the play experience offered encourages the child to socialize and create happy moments of sharing the child to socialize and create happy moments of sharing.





KINDER SURPRISE COMPANY

CONTINUED

THE PRINCIPLES THAT GUIDE THE CREATIVE DEVELOPMENT

Each surprise toy has always been created and studied with the utmost care by a dedicated team, involving psychologists who specialize in cognitive, emotional, relational and motor development during childhood.

This team works in line with four principles:

1. Improving the child's ability

2. Variety

3. A 360° experience

4. Universality

1. IMPROVING THE CHILD'S ABILITY

KINDER® toys are designed to encourage the development of certain specific attitudes in children. More specifically:

Cognitive development

The process of assembling the toys stimulates logical thinking and putting actions into a sequence, developing both problem-solving skills and curiosity.

Emotional development

The satisfaction achieved by reaching a goal (assembling a toy) and by interacting with small toys designed to appeal to children and stimulate creativity.

Relational development

Interaction with friends and family, encouraged by the surprise toys, helps children socialize and live happy experiences with others.

Motor development

Assembling the toy requires good eye-hand coordination and stimulates the imagination, logic and manual skills.

2. VARIETY

Every year, our team of experts develops new ways of playing, aimed at stimulating holistic growth in children.

We have created a strategy based around "playability areas" to increase the relevance of each surprise. Over the years, our Marketing and Innovation Department has identified different reference areas around which the assortment of toys has to be defined, in order to provide precise variety of surprises across the assortment.

Each surprise should fit within a particular category, in order to create a balanced assortment of toys, which connects with all the playability areas defined earlier.

**RED**

A world of races and speed:
let the games begin!

**GREEN**

Discovering the world of
nature and animals, and
learning to be kind and gentle.

**ORANGE**

Self and creativity expression in
original and ever-changing ways;
small tools to help discover the
artist in every child.

**LILAC**

Toys designed for girls:
a magical, soft and colorful
world where imagination
can run wild.

**BLUE**

Fun in movement: the most
active and fun toys for running
around and playing, at home or
in outdoors, alone or with friends.



KINDER SURPRISE COMPANY

CONTINUED

3. A 360° EXPERIENCE

KINDER® toys provide a true 360° play experience, encompassing fun, educational value and the option of playing on a digital platform.

The dialog with consumers is becoming more and more important and, for this reason, more structured. We need to make contact with them before, during and after the moment of purchase.

The leaflet shown below, which always accompanies the toy, illustrates play activities and provides story ideas to enrich and extend children's play.

By scanning the QR code on the leaflet, which is created for each Surprise, parents can access high quality storytelling with their children through the Magic Kinder app. Ultimately, the app allows further possibilities of connecting and creating bonding moments.



4. UNIVERSALITY

Surprise toys are designed to delight children around the world, regardless of culture, gender or age. The greatest satisfaction comes from creating small toys that express universal values and entertain globally.

Despite the great differences between countries around the world, all children share common features: they love being surprised and this reinforces how much the surprise toy can activate a positive feeling of wonder – highlighting its uniqueness compared to other similar products on the market.



PHASES OF THE SURPRISES DEVELOPMENT:

1. Marketing Strategy
2. Creative phase: first ideas and analysis
3. Design Prototypes and pre-evaluations
4. Researches on mums and kids
5. Certifications and voluntary tests
6. Production and quality checks
7. Responsible Marketing

1. MARKETING STRATEGY

The aim of this phase is to define a strategic assortment, connected with every single aspect of toys, from play activities to the look and feel of each single toy.

Each surprise develops from specific analysis based on different aspects of children's everyday lives:

- children and parents' needs;
- trends in the world of toys;
- co-creative researches with children;
- technology and innovation influences.

Building on these results, the Internal Marketing and Innovation Department starts to define a group of features that the surprises will need to have, in order to develop a strategy and provide a relevant assortment.

During this phase it is important to also consider all the different needs connected with different geographical areas (such as cultural and religious aspects), so that the assortment genuinely reflects international trends, while still respecting local traditions.



2. CREATIVE PHASE: FIRST IDEAS AND ANALYSIS

During this phase, ideas are transformed into designs, with each toy having its own playability attributes.

These designs form the basis of 3D prototypes that bring toys to life by using various CAD programs.

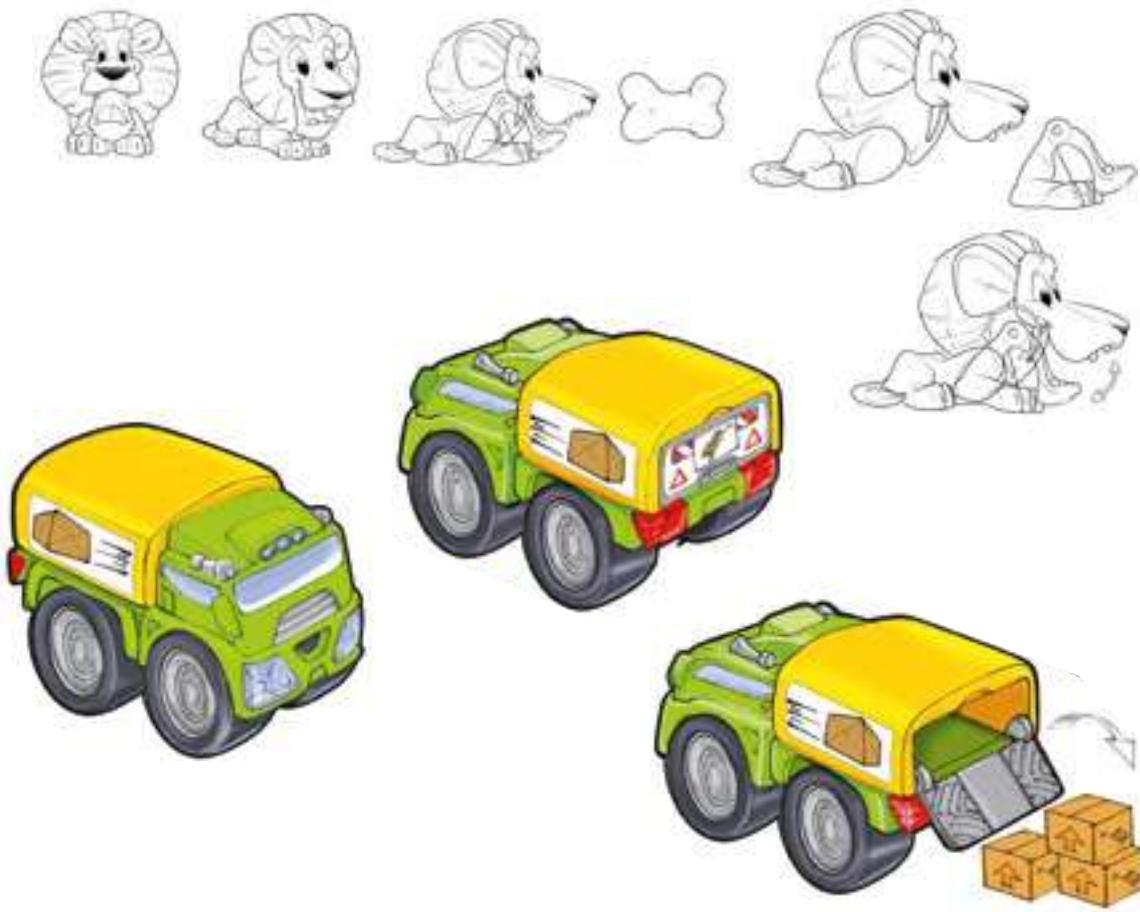
During this process the Design Team also takes into account:

- safety and quality;
- feasibility;
- costs;
- fitting inside the capsule.

Safety-oriented design is one of the pillars of surprise toy development, so each surprise has to comply with guidelines that are specific precautions related to the dimension, shape and morphology of the toys.

These precautions are:

- avoid very small parts;
- avoid spherical and ovoid parts;
- do not use button cell batteries and magnets;
- assure pre-assembly of the smallest parts to reduce the number of pieces and create bigger parts;
- avoid colors that could be confused with chocolate; and
- use specific high quality materials to avoid breakage and at the same time guarantee high design standard.





KINDER SURPRISE COMPANY

CONTINUED

3. DESIGN PROTOTYPES AND PRE-EVALUATIONS

A physical prototype of each toy is created using 3D printer technology.



This prototype reflects the shape and eventual function of the surprise. It also takes into account production and safety requirements:



Safety assessment:

During the design phase, we carry out an extended preventative safety assessment for each prototype. Each one must pass a number of pre-evaluation tests in order to continue on the path towards full production. This assessment is performed with the assistance of experts (many of them from accredited external laboratories) and it involves checks to assess whether or not the toys comply with international regulations and the Ferrero Toys Safety Code, while also identifying any other risks.



A dedicated working group analyzes and evaluates whether or not all aspects of the prototype comply with various additional requirements based on medical criteria

Medical check:

A dedicated working group analyzes and evaluates whether or not all aspects of the prototype comply with various additional requirements based on medical criteria. This team is always composed of the Project Manager, the Quality Team, the Design Team, the Legal Team and an Ear Nose and Throat (ENT) medical specialist.

Over the years, this way of working has produced a reliable list of features that are considered guidelines for the analysis. If design changes are required on safety grounds, this team also verifies that these will not spoil the surprise aesthetically or negate its playability. If changes cannot be made they have the authority to abandon a specific toy concept.



Age grading evaluation:

Age Grading helps us to assess the appropriate age range for which each surprise toy is intended, based on developmental psychological studies and current Legal References⁷.

To perform age determinations, the specific characteristics and play functions of a toy are matched against children's abilities in a particular age group.

The evaluation process is aimed to state the starting age at which the child is able to use the toy in its intended function in a gratifying way (**by determining the age at which the child has the cognitive and motor skills to fully interact with that toy** in the proposed functions).

The full compliance of KINDER® toys with these guidelines is intended to make sure that they match the age limit (three-years-old) in our small part warning. This is the right way to guarantee the effectiveness of the warning itself.

The Quality Department is involved in all of these tests.

We take particular care to make sure that consumers know that KINDER® toys are forbidden for use by children under the age of three; and that to ensure this, adult supervision during play involving our toys is recommended. A specific warning in compliance with the toy safety directive 2009/48/CE informs parents in a clear and legible form.

This warning is always extremely prominent and visible.



4. RESEARCHES ON KIDS AND MUMS

Every year we carry out a large-scale strategic test of prototypes, generally about two years before the surprises tested are launched. The studies take place in different countries and the interviews always involve both kids and their mothers.

Usually, two different approaches are used:

1. Quantitative approach, to evaluate:

- overall appreciation and main KPIs of each single surprise
- evidence of kids' behaviors (playing, mixing) and reaction
- ranking of the most appreciated surprises

Mothers and kids are exposed to the following stimuli in the indicated order:

- a video, showing the opening of the products and the extraction of the container
- the leaflet for each surprise (front and back)
- a 20-30 second reel showing each surprise and the related playability

2. Quantitative approach, to evaluate:

- the overall appreciation of the surprise range and of each surprise
- insights into possible optimization and further development. We usually rely on a focus group methodology

From about 9,000 interviews with parents around Europe, Asia Pacific and Latin America, we collect all the opinions regarding a specific group of new subjects in order to select the most promising surprise prototypes from the 800 proposed every year.

- ⁷ European guidelines: CEN Report CR14379:2002
 – Classification of toys
 – ISO/TR 8124-8:2016 Age Determination Guidelines – CPSC Age Determination Guidelines: Relating Children's Ages to Toy Characteristics and Play Behavior: 2002



Interviews around Europe, Asia Pacific and Latin America

9,000

in order to select the most promising surprise prototypes from 800 proposed every year



KINDER SURPRISE COMPANY

CONTINUED

5. CERTIFICATIONS AND VOLUNTARY TESTS

The Ferrero Code on toy Safety and Quality states that KINDER® surprises must be fully compliant with International regulations and Ferrero internal requirements.

To ensure this, toy certification tests are performed by two different accredited laboratories, both of which are world leaders in Safety Research and Certification: the independent and accredited Certification Body UL (with its specialized network of Toy Safety Institutes and Laboratories in different Countries) and LGA laboratories. These requirements are:

a) International certifications:

- The latest European directive on toys safety 2009/48/CE.
- The European toy safety standards on mechanical and chemical requirements (EN71).
- The international toy safety standard ISO 8124, which regulates the mechanical test methodology and the evaluation of its results.
- MERCOSUR standards on internationally produced toys.
- National standards of all the countries where surprise toys are sold, particularly Canadian and Australia standards, which have some requirements that are stricter than the ISO and EN71 standards.



Tests regarding safety and quality of toys

65

compared to the 38 tests required by international regulations

b) Voluntary tests

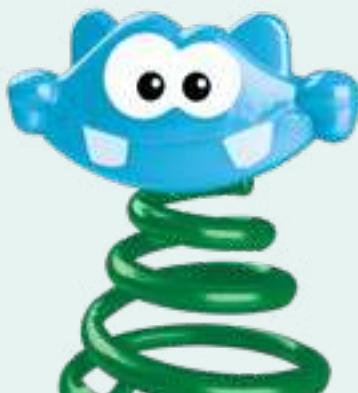
We also carry out additional voluntary tests, which are part of the Ferrero Code on toy Safety and Quality and more restrictive than those provided by international regulations:

- In relation to mechanical requirements: we apply even more rigorous tests to our toys compared to the international standard on toy safety, ISO 8124. Each surprise must undergo "abuse tests" (drop test from 138 cm, torque test at 0.45 Nm, tension test at 70 N and compression test at 136 N) which simulate the behavior of children at play in the worst conditions including the abuse of the toy. The toy can only be admitted for manufacture if it (or any of its parts) does not break during the tests; whereas the international standard allows the toy to break, provided that the broken parts are not sharp.
- In relation to chemical composition, with particular reference to the migration of heavy metals, we impose requirements on our toys that are stricter than the ones laid down by the EN 71 safety standard (the limit set by the internal requirements is lower than that deemed acceptable by the EN 71 standard).

Compared with the number of tests required by international Regulation regarding safety and quality, the amount required by the Ferrero Toys Safety Code is almost double: **38 tests vs. 65**.

The application of all of these rules guarantees that our toys and all their parts are safe and robust.

Surprise toy designed using highly durable material as pp and abs would not pass the mechanical test.





Mechanical, physical and flameproof tests

EN 71-1 and 2 and ISO 8124-1 and 2 tests: as requested by regulations

EN 71-1: Mechanical and physical tests: check for sharp points and sharp edges.

EN 71-2: Flameproof tests.

ISO 8124-1: Mechanical and physical tests: check for sharp points and sharp edges caused by breakage during mechanical tests.

ISO 8124-2: Flameproof tests.

Additional tests

We apply much more stringent voluntary tests to guarantee our toys' safety. No breakage of any kind, however partial, is tolerated:

- Twist tests in both rotational directions (0.45 Nm, or 180° for soft parts), both for single or preassembled parts (e.g. wheels).
- Tests on resistance to axial traction and perpendicular traction (70 N, for 10"), both for single or preassembled parts (e.g. wheels).
- Drop tests (from height of 138 cm: no breakage).
- Check for sharp points or sharp edges after drop tests.

Also, when applicable:

1. Cords: dimension check.
2. Suction cup tests: a toy attached to a suction cup must not be able to pass through a hole 44.5 mm wide and 6.4 mm deep, and the suction cup must not detach during various mechanical traction tests.
3. Air passage: we perform air passage tests on all tridimensional parts. A special instrument measures whether the part permits air passage of a defined amount of liters per minute which is based on medical indication.
4. Resistance tests under compression of 136 N: no breakage or deformation tolerated.
5. Check on all holes: conformity with specific standard dimensions.
6. Dimension check (minimum 2 mm) on all toys which can float in the air and/or stored energy projectiles.

Only if all these tests produce a pass result will the toy be judged as conforming, and therefore be approved for manufacture.



KINDER SURPRISE COMPANY

CONTINUED

Chemical tests

EN 71 and ISO 8124 tests: as requested by regulations

EN 71-3: Migration tests of various elements (19 elements).

ISO 8124-3: Migration tests of various elements (8 elements).

Additional tests

In addition to all the tests listed above, we also voluntarily carry out extra chemical tests on all toys in line with particular requirements or limits applicable in certain countries, or not mentioned in EN 71 and ISO 8124, for example:

Chile: toluene limits.

Japan: food law.

Canada: cellulose nitrate limits.

Only if all these tests produce a pass result will the toy be judged as conforming, and therefore be approved for manufacture.

c) Local certifications

Every single surprise is certified by several certification bodies across the globe:



The KINDER® surprise capsule

The design of our current single-piece capsule, which contains the toy, is safer than the previous capsule (made of two pieces). We introduced the current capsule in 2007.

The two parts of the single-piece capsule are connected by a strong and durable plastic hinge, which permits a pre-defined way of breaking in specific conditions.

To ensure the capsule's strength and durability, during production it is subjected to specific destructive tests on a daily basis.

An entire batch of products from every production run is put through each stage and the results are automatically transferred by Robocap (an automated test bench designed to standardize the capsule verification) to a computer. If the tested capsules fail one of the tests, the production from the relevant run will be isolated. The KCS Quality Department will then perform additional analysis and decide if the goods can be accepted or need to be rejected and destroyed.

In line with EN 71-1:2005 and ISO 8124:2000 our one-piece capsule undergoes the following tests:

- **Tension tests:** ensure that the plastic tongue holding the two parts together does not break when subjected to a traction of 150 N (about 15 kg).
- **Rotation tests:** the capsule is subjected to a certain number of clockwise and anticlockwise rotations and it is considered to have passed only if there is no separation of the bottom from the top.

The safety of the single-piece capsule design and construction has been certified by a qualified team of internationally renowned doctors. It has also been recognized as a worldwide reference model for safety in its product category.

The material used to make the capsule is specifically formulated and is supplied from the same plant to all capsule manufacturers; it complies with international food contact regulations in every country where the capsule is sold.

Directive 2009/48/EC on toy safety, which came into force on July 20, 2011 in all European Union member states, dictates that a "single-piece" capsule is the only type of capsule permitted in Europe for chocolate eggs containing surprise toys.



Corporate experience,
building relationships
based on knowledge,
exchange and growth

40 years



6. PRODUCTION AND QUALITY CHECKS

In addition to the stable growth of our European production centers, we have invested in geographical decentralization, which has enabled production centers in some emerging areas to come into operation.



Besides checking our toys, we also carry out periodic ethical and safety audits on our suppliers' businesses, most of which are located in Europe, China and India.

Our relationships with emerging countries are inspired by the principle: "train and build", which means transferring 40 years of corporate experience and building a relationship based on knowledge, exchange and growth. In addition, constantly striving for technological advances in production processes contributes to the growth of industrial expertise wherever we operate.

EXAMPLE OF AN INNOVATIVE PRODUCTION PROCESS

BEFORE

To make surprise toys with special features or combine individual parts that are not available in standard sizes, manual pre-assembly of these parts was once required. The parts of the toy were designed in such a way that they could no longer be separated after assembly.



AFTER

The continued push toward quality improvement and our commitment to implement more stringent safety and security standards has led to a technical solution for the production of pre-assembled parts during the molding phase. This solution guarantees freedom of movement to the wheels, without any risk of detachment. An application to patent this technical solution has been filed to ensure it will become the exclusive property of the Ferrero Group.

For surprises that still require pre-assembly, automated assembly and quality control systems are being developed for the first time, to guarantee the perfect assembly of parts. In addition we still apply all existing post-production quality and safety tests to all our toys.





KINDER SURPRISE COMPANY

CONTINUED

Our Quality Department carries out on-going quality controls during the entire toy manufacture process, using extremely precise guidelines, inspired by the most progressive industry practices:

- Mechanical testing during molding with predetermined frequency.
- Checking and mechanical testing during final inspections.
- Incoming inspection at final product plants: assembly and handling tests.

The production of each surprise only continues if periodic checks show that all safety and quality requirements are being met.

We have devised and implemented a **Code of Conduct for suppliers around the world**, covering the ethical and environmental aspects of manufacturing surprise toys. This makes it possible to both **Maintain our desired high qualitative standards** and to continuously share knowledge and skills with our suppliers.

The Code of Conduct, called the "Ethical, Social and Environmental Requirements for Suppliers of KINDER® Toys", is inspired by the most advanced international ethical codes and is equally rigorous and detailed.

Summary of the ethical, social and environmental requirements for suppliers of KINDER® toys:

Manufacturers of surprise toys undergo a strict audit aimed at verifying that they respect the fundamental rights set out in the Code of Conduct.

- Child labor is not permitted.
- Production plants, the work environment and services (canteen, sleeping facilities and lavatories) must comply with all the local regulations on hygiene in the workplace and accident prevention.
- Employees have the right to form a trade union or to join an existing one and to freely elect their representatives.
- No employee can be discriminated against on the grounds of race, nationality, religion, disability, gender, age, sexual orientation, trade union membership or political affiliations. The disciplinary actions must comply with local regulations.

- All employees must be guaranteed a salary of at least the minimum wage (local or national), both for normal hours work and for overtime. Overtime must be regulated in line with local regulations and practices.
- Manufacturers of surprise toys must respect national and local environmental legislation on preventing pollution and managing chemical substances and waste.

We have developed a program to assess the level of implementation of the Code of Conduct, appointing two third-party bodies (SGS and UL) to inspect KINDER® toy manufacturers and ensure that our ethical requirements are applied and complied with, in support of our core values.

Inspections carried out by SGS and UL confirm that surprise manufacturers are aligned with the essential spirit and principles of our code of conduct and that no 'non-compliance' issues have occurred regarding the respect of human rights and other fundamental content of our code. In addition, child labor is never permitted in any circumstances or for any reason.

The Code and its rigorous implementation provide strong reassurance that KINDER® toy suppliers are operating in compliance with our requirements regarding working conditions. In turn, this allows us to honor specific commitments made to our licensors that are particularly sensitive to ethical issues.





7. RESPONSIBLE MARKETING

Compliance with the IFBA Policy

We have always believed in the crucial role played by parents in their children's education, with regard to a balanced diet and healthy, active lifestyles. For this reason, advertisements and commercial communications relating to our products are directed, in terms of their content and the advertising channels we use, primarily at adults who choose which food to buy for their family, and at children over the age of 12.

We believe that **particular attention should be paid to advertising communications aimed primarily at children**, particularly in when they will encounter this advertising without adult supervision.

We adhere to the "IFBA Global Policy on Advertising and Marketing to Children" issued by the International Food & Beverage Alliance (IFBA) in Brussels.

In compliance with these principles, we ensure that at a global level we do not advertise our products on TV, in the press or the Internet to an audience consisting mainly (more than 35% from 2013) of kids under the age of 12. Limited exceptions to this rule may be made temporarily in some countries that use different criteria.

THE MAGIC KINDER APP

With our app Magic Kinder the fun continues in new and exciting ways. Magic Kinder is a world that brings families together through immersive and entertaining experiences.

Our app's main objective is to help families play and learn together through high quality and engaging activities that are always produced with fun and learning in mind. Furthermore, we have clear guidelines in place that ensure there are no food products visible, advertisements of any kind or in app purchases – giving parents peace of mind.

In addition, the app has clear governance rules to ensure that it does not promote Kinder products, in compliance with the IFBA Enhanced Global Policy on Marketing Communications to Children and the EU pledge, which supports the European Commission's Platform for Action on Diet, Physical Activity and Health to promote balanced lifestyles. Magic Kinder has also received the internationally recognized COPPA+ certification by KidSAFE® ("<http://www.kidsafeseal.com>" www.kidsafeseal.com), following a third-party audit on online children's safety, which gives parents peace of mind that the most robust measures are in place to ensure kid's online safety.

Our Magic Kinder app is globally available (with the exception of seven countries), translated in 14 languages, and offers six different formats (The surprises collection, play & learn, watch videos, stories, draw & paint and discover the planet). Its content is always designed to have educational potential and to be used together as a family. In addition, there is a parental section within the app that allows adults to manage the account and set screen time limits.

The app can be downloaded for tablet and smartphone from the iOS and Android Store and is also available on Apple and Android TV.



Learn more at
www.magic-kinder.com
KidSAFE: www.kidsafeseal.com



Languages of which
our Magic Kinder app
is globally available

14



OUR PEOPLE & OUR COMMUNITY

Our values and legacy demonstrate how much we care about our people. We invest in every aspect of their personal and professional development from the day they join us right through to retirement and beyond.

Ferrero People	56
The Ferrero Foundation	73
Michele Ferrero Entrepreneurial Project	81
Kinder + Sport	92



For more information visit:
www.ferrerosr.com



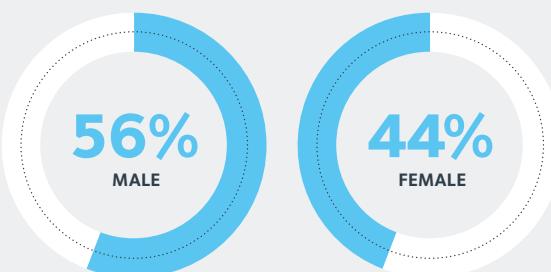


FERRERO PEOPLE

The diversity of our Ferrerians reflects our global outlook. As of 31st August 2017, the Ferrero Group was comprised of **34,543** employees from **123** nationalities. In addition, there are **11** employees from Piera, Pietro and Giovanni Foundation, and **7,171** external people working with companies of the Group. This brings our total number of people to **41,725**.



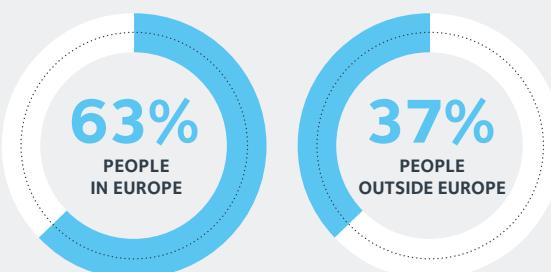
MEN AND WOMEN*



AGE GROUPS*



EUROPE - OUTSIDE EUROPE*



NATIONALITIES*

123



HOURS OF TRAINING

Total

525,000+

Per person

17.4

FERRERO PEOPLE AROUND THE WORLD

1. Italy	18.5%
2. Germany	12.8%
3. Poland	7.1%
4. India	6.9%
5. United Kingdom	6.8%
6. Turkey	4.2%
7. Georgia	4.1%
8. France	3.8%
9. Canada	3.7%
10. USA	3.4%
11. China	3.2%
12. Belgium	3.0%
13. Brazil	2.8%
14. Luxembourg	2.8%
15. Russia	2.7%
16. Mexico	2.6%
17. Chile	1.9%
18. Ecuador	1.1%
19. Argentina	1.0%
20. South Africa	1.0%
21. Australia	0.9%
22. Bulgaria	0.8%
23. Ireland	0.6%
24. Hong Kong	0.6%
25. Cameroon	0.5%
26. Spain	0.3%
27. Czech Republic	0.3%
28. Serbia	0.3%
29. Ukraine	0.3%
30. Columbia	0.3%
31. Hungary	0.2%
32. Other	1.3%

* figures include employees who are employed directly by Ferrero as of August 31st, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation, but excluding those of Thorntons Plc. and Fannie May.



FERRERO PEOPLE

CONTINUED

Becoming a global company has reinforced the need to diversify our employee base, with an initial focus on gender and nationality. We set a 2020 objective to achieve a 5% increase in the number of women holding a leadership position (senior manager and above) within our Group and in the past fiscal year we achieved an increase of 1.2%, a solid step towards this objective.

During the past year, we continued to promote internal initiatives to support a “culture of diversity” and to enhance training and development initiatives that supported the increase in knowledge and awareness of a diverse workplace. Ferrero University offers employees many different learning and development opportunities related to diversity. Through a self-paced learning journey on our online platform, YourLearning@FerreroUniversity, employees can access knowledge and information about the different dimensions of diversity and inclusion.

Topics include:

- Communication across generations.
- Managing diversity.
- Intercultural communication.
- Being a role model for diversity.

Learners can choose from many short, inspirational and informative sessions, which they can access and complete when and where they choose. We are focused on supporting the increased competence of employees in developing a Strategic Global Mindset.

Developing this competence means that knowledge of the different dimensions of diversity and inclusion becomes a more integral part of Ferrero culture. For example, a curriculum has been established to create awareness and understanding of diversity as well as a global, growth and inclusive mindset. This should lead to more effective and meaningful interactions with colleagues around the world.



We set a 2020
objective to achieve a

5%

increase in the number
of women holding a
leadership position



**Ferrero University offers employees
many different learning and
development opportunities related
to diversity.**



ENGAGEMENT

Building on our commitment to create a better work environment, we focused on the effective implementation of the action plans in the "YOUR Life in Ferrero" program. The initiatives, both at Group and local level, aim to increase employee engagement through actions that foster credibility, fairness, respect, pride, and team spirit within our company.

In April 2017, we conducted a SimplyYOU! pulse survey: a mid-term check between the 2015 people satisfaction survey and the second global employee survey, scheduled for 2019. Our objective was to collect updated information and measure employees' perceptions of the initial deployment of our actions plans, by answering a short questionnaire provided by the Great Place to Work Institute®, a globally recognized organization that assists in evaluating results against national and international benchmarks. For the first time, all employees in the Ferrero Group participated in the same survey, including employees from Thorntons, Findik and Ferrero's Agrifarms.

The results of the pulse survey were essential input for developing our action plans. 85% of our employees took part in the pulse survey and 40% of respondents replied to the open-ended question. These two indicators highlight our people's desire to be heard and to play an active role in improving their workplace.

We will continue to facilitate open and consistent communication across our company, using newly developed digital tools and channels. By building on our strengths and addressing areas for improvement, we can make great strides in creating a better workplace for all our employees.



People Satisfaction Survey had a response rate of

85%

Learning week

Russia

Goal

To support the Performance Evaluation process through the reinforcement of the following skills: giving/receiving feedback, setting objectives, communication skills, building an Individual Development Plan (IDP).

Target

All employees and managers with confirmed business needs in the offered training.

The Learning week was a tailor-made project, consisting of four-hour training modules during one week. To maximize effectiveness in this limited time, the format 20% theory and 80% practice was chosen.

The modules focused on developing the following skills: giving and receiving feedback (separately for managers and employees); setting objectives (separately for managers and employees); influencing skills; listening skills and power of questions; assertive communication and building an IDP (facilitated session).

These selected themes referred to the beginning of Performance Evaluation and showed that critical moments usually occurred during the summing up and debriefing of annual results. The participants could select and take part in several modules. The project covered a wide target population.





FERRERO PEOPLE

CONTINUED

Diverse internal communication channels

China

Goal

Develop diverse internal communication channels to meet different communication needs in both commercial and industrial units.

Target

All employees.



Ferrero China is developing different communication channels to create open and effective communication platforms, to also take care of the sales force and operational staff, who do not have a laptop to read or respond to company messages.

Professional development

France

Goal

To support employees in their career development.

Target

All employees.



The Individual Professional Interview is a twice-yearly interview between employee and manager, independent from their performance appraisal, which enables employees to talk about their career path and possible future developments. It is a new formal tool that allows people to think, analyze, and synthesize their own career and growth potential.

New recognition awards

Colombia

Goal

To motivate employees.

Target

All employees.



Everyone has an opportunity to get special recognition. Ferrero Colombia organizes an event called Ferrero Awards. This event recognizes employees' competences, such as a sense of belonging, teamwork, performance and attitude.

The steps for the awards are: a) Select the nominations (best sales employee, best leader, positive attitude, etc.). b) Select the nominees for each category (selection is done by first line or by other employees via intranet). c) After the nominees have been identified all of the employees vote for the winner via intranet. d) The votes are tabulated and the winners receive their awards at the ceremony. This award ceremony is similar to the Oscars.



GROWTH AND DEVELOPMENT

CONTINUOUS LEARNING AT FERRERO

Learning is part of our DNA. As a growing, developing and changing company, we support the growth and development of our people. At a global and local level our employees have access to online and live learning experiences. From the time employees join us through to retirement, there are many options for them to grow and develop in a bespoke way through Ferrero University. It has evolved to comprise three pillars:

- Welcome to Ferrero: Starting the learning journey.
- Ferrero Know-How Academies: Building technical skills.
- Ferrero Leaders: Becoming a leader.

Starting the learning journey

This pillar focuses on supporting our employees in their pre-boarding and onboarding efforts at a global and local level. The Ferrero Global Graduate and Ferrerit  programs support university graduates and experienced hires in learning the Ferrero way. The goal is to provide an interactive experience using a blended learning approach.

- The Ferrero Global Graduate Program (FGGP) is a 10-month program, starting every three months, targeted at all new graduates joining Ferrero. Participants not only get the opportunity to follow a four-week work placement experience in sales and production, but also participate in a soft skills training week and Ferrerit . This unique experience is offered to newly hired graduates at the start of their professional life at Ferrero and allows them to integrate smoothly into the company by:
 - Learning about the corporate culture and values
 - Gaining specific soft skills that they can use in the daily work
 - Building a strong and diverse network across countries

The FGGP piloted last year, and this pilot edition was completed in 2016/2017. In addition, the first three full editions launched this year, one of which has been completed.

• Ferrerit  is a global program that provides employees, who have been with Ferrero between 6-24 months, with a broader understanding of the Ferrero way of doing business and of bringing our culture and values to life. During the three phases of the program, experienced hires share their journey and that of Ferrero with participants. This strengthens and champions brand awareness amongst participants. Following a successful pilot, four more editions were held this year, enabling more than 300 people to participate.

Building technical skills

The Know-How Academies pillar is designed to safeguard and disseminate our distinctive expertise. Training programs aim to transfer and maximize knowledge of the Ferrero way of doing business.

An Academy board governs each Academy, and is responsible for the professional training programs that each one designs and delivers. Within every Academy there are "Subject Matter Experts" – leaders and experts who design the content of the training programs. The programs are delivered by internally accredited trainers and/or external facilitators.

Our aim is to create a continuous learning experience before, during and after training, while also facilitating colleagues to transfer learnings into their daily working model by integrating the tools provided during the training.

The Academies

1. Ferrero Human Resources Academy
2. Ferrero Industrial Academy
3. Ferrero Information Technology Academy
4. Ferrero Legal Academy
5. Ferrero Marketing Academy
6. Ferrero Packaging Academy
7. Ferrero Procurement Academy
8. Ferrero Raw Materials Academy
9. Ferrero Sales Academy
10. Ferrero Supply Chain Academy

In 2018, the Finance Academy will be launched.



In our first three full editions

90

people of 14 nationalities started the FGGP journey

At the end of fiscal year 2017, Ferrero Academies had:



Training programs offered worldwide

86



Senior Ferrero Leaders involved in the Academy Boards

60



FERRERO PEOPLE

CONTINUED

Becoming a leader

The cores of this pillar are the design and delivery of training programs that are oriented towards supporting employees in management positions to develop their leadership role in the organization. Ferrero's six core competencies and company values play a key role throughout leadership development.

Master in International Management

Early next year, the graduation ceremony for the first edition of the Master in International Management (MIM), a corporate master jointly designed with a prestigious international business school, SDA Bocconi – the School of Management of Università Bocconi, will take place.

Thirty Ferrero middle managers have undertaken an intense and exciting 18-month learning journey, consisting of three classroom and five distance learning modules.

Ferrero LEAD

From this year, newly appointed senior managers from around the world will have the opportunity to attend Ferrero LEAD – a five-day program designed to achieve two main objectives:

- Provide senior managers with a deeper understanding of our expectations around the leadership position they hold in the organization.
- Give them the opportunity to share and discuss the current and future business and organizational challenges with executive managers.

A pilot took place in July 2017 with 25 newly appointed senior managers, and we intend to deliver this program at least twice a year in future.

YourLearning@FerreroUniversity

Ferrero University's 24/7 online learning platform, YourLearning@FerreroUniversity, provides employees with a single point of access to content from Harvard and getAbstract, as well as a further 30,000 digital learning assets. It facilitates continuous learning and empowers learners to research a topic, acquire knowledge in a certain area or learn more about a targeted process or skill, at any time, anywhere and on any device.



Overall training hours

526,288.29



Training participations

57,255



Total number of participants

19,383



Hours of training hours per capita*

17.4

*Hours per capita were calculated as the following: Total training hours/Average number of FTE for FY 16/17

Graduates from
the Ferrero Global
Graduate Program



The YourLearning@
FerreroUniversity
platform

THE COUNTRIES WITH THE HIGHEST NUMBER OF TRAINING HOURS DELIVERED ARE:

COUNTRY	HOURS
Ferrero Germany	126,422
Ferrero Italy	81,010
Ferrero China	57,117
Ferrero Poland	45,812
Ferrero Mexico	34,427

TOP 5 TRAINING DELIVERY LANGUAGES

LANGUAGE	%
English	28%
German	20%
Italian	12%
Chinese	10%
French	8%

% OF TRAINING HOURS FOLLOWED, BY GENDER

GENDER	%
Female	39%
Male	61%

% OF TOTAL TRAINING HOURS DELIVERED TO BLUE COLLARS

EMPLOYEE GROUP	%
Blue Collar	41%

COURSE WITH THE HIGHEST NUMBER OF ATTENDEES

COURSE	ATTENDEES
Hygiene Instructions (Germany)	2,239

COURSE WITH THE HIGHEST NUMBER OF TRAINING HOURS DELIVERED

COURSE	HOURS
Field Sales Coaching (China)	23,066



FERRERO PEOPLE

CONTINUED

PERFORMANCE MANAGEMENT

We use a performance management approach focused on setting objectives, assessing progress and providing feedback to ensure that employees are meeting their short- and long-term career goals and objectives.

In 2016/2017, to reflect our employees' role in the company, we incorporated a new definition of employees' overall contributions to company performance, which is based on three dimensions: individual, team and organization. We also introduced a 5-point rating scale, which improves the objectivity of evaluations and differentiations in performance.

In 2016/2017, 10,799 employees from 55 countries were involved in the performance evaluation process.

LEVEL	%
White Collar	70%
Middle Manager	21%
Senior Manager & above	9%

GENDER	%
Female	40%
Male	60%



In 2016/2017, 10,799 employees from

55

countries were involved in the performance evaluation process

We are continuing to improve the quality of our feedback conversations, in order to enhance performance and development, and promote expected behaviors to strengthen organizational integration.





INDUSTRIAL RELATIONS

We believe that fostering and preserving a positive climate is necessary in order to build sincere industrial relations. Our dialog with employees, workers' representatives and labor unions is a crucial lever in defining satisfactory agreements aimed at achieving the highest level of integration, growth and overall well-being.

In 2016/2017, there was a strike at our Manisa plant in Turkey during negotiations to renew the agreement in place at the plant. However, the negotiations were successfully concluded and the agreement was duly signed to the mutual satisfaction of the Tek Gida labor union, the workers and the company.

GROUP INDUSTRIAL RELATIONS

FERRERO SURVEY

In 2017, we conducted a global in-depth analysis of 22 of our plants. The survey was conducted in collaboration with SGS, a leading verification, testing, and certification company.

The survey gathered information on the management methods implemented at each plant across a range of topics, including relations with labor unions and plant health and safety committees, employees' management, welfare initiatives and internal fairness. Our main objective was to create a homogeneous governance model in order to identify and share best practices in the plants.

THE ACTIVITIES OF THE FERRERO EUROPEAN WORKS COUNCIL (COMITATO AZIENDALE EUROPEO – CAE) IN 2017

Through the Ferrero CAE, Ferrero and workers' representatives aim to reinforce European-wide social cohesion within our Group, through constructive dialog and discussion based on cooperation and reciprocal trust.

The CAE is responsible for several key meetings, the outcomes of which are summarized below.

Training seminar

- Together with labor unions we hosted a joint training seminar, which took place in Berlin on June 6th, 7th and 8th 2017. The topic, identified by the participants, was particularly sensitive for a food industry company: "Quality: the importance of our contribution in the achievement of Excellence".

During the three days, internal and external experts worked together in teams on problem-solving activities. This approach facilitated the achievement of two main objectives:

- Ensure active participation and involvement of all the representatives of the CAE on the topics discussed, improving integration among team members.
- Concretely develop the identified topic in a way that is close to daily issues in the workplace, increasing awareness and sensitivity towards major and critical matters, such as quality.

An activity during the seminar, led by the CAE's Health, Safety and Social Responsibility Laboratory, produced a set of shared rules, "The 10 Golden Safety Rules" and identified the appropriate communication strategy to promote this initiative to all employees at our European plants. This approach will form the basis of another joint initiative, currently under implementation, to involve and inform all employees at the plants about safety issues.

Annual meeting

At the beginning of October, the CAE Annual Meeting took place at our plant in Cork, Ireland. The conference included a discussion among workers' representatives, a presentation about the overall trend of both the Ferrero Group and the local countries, and a visit to the Cork plant.

In 2017, the number of participants in the CAE increased: both the meetings involved, for the first time, the participation of colleagues from the Alfreton plant (UK), part of the Thorntons company acquired by the Ferrero Group in 2015. In order to facilitate their integration with other members and to foster active participation, preparatory meetings were held to make them aware about the CAE legislation principles, history and initiatives of growth and enrichment developed over the last 20 years.

Today, the CAE represents blue collar workers, members of the sales force and other employees at 10 of our European plants, in Belgium, France, Germany, England, Ireland, Italy and Poland.



In 2017, we conducted a global in-depth analysis of

22

of our plants



FERRERO PEOPLE

CONTINUED

OCCUPATIONAL HEALTH AND SAFETY

Protecting Health and Safety at work is a central value in the Ferrero system. To ensure its success, the contribution and active participation of all those who work for and with the Company are essential. Consequently, we are committed to protecting the Health and Safety of our workers, contractors, visitors and all other parties that may come under our influence.

We recognize the importance of promoting and sustaining a solid, effective safety culture within our communities, based on the belief that all accidents are preventable. By providing adequate training initiatives, promoting involvement, and raising awareness, everyone must feel an active participant in the initiatives designed to improve the Health and Safety conditions in their organization. We also encourage safe, healthy behavior outside of work.

Issues related to Health and Safety are integrated into all of our decision-making processes. We also require all of our employees, workers and partners to participate proactively in complying with our safety principles, procedures and standards.

Our production activities must comply with applicable legislation in every country where we operate and with any stricter regulations defined or undersigned by Ferrero. Hazard identification, risk assessment and risk control must all be considered during the design of machines, processes and the working environment, then updated continuously. We encourage an open, proactive safety culture, implemented through the systematic identification and analysis of the root causes of accidents and near misses. Near misses are defined as unplanned events that did not result in injury, illness or damage, but had the potential to do so. Near misses are not counted as accidents, as they do not result in physical damage.

During the financial year 2016/2017, we deepened our commitment to reduce accidents and to strengthen the Health and Safety global and local structure, with the aim of consolidating our activities in manufacturing and widening our efforts beyond operations. Since 2016, we have worked in partnership with a qualified global advisor to assess, manage and grow our Ferrero Safety Culture.

TRENDS IN WORKPLACE INJURIES AND ACCIDENTS

Statistical data on the occurrence of workplace injuries and accidents within the area considered⁸ is positive. The injury frequency index for employees at our production plants fell from 9.02 injuries per million hours worked to 7.92 (-12% compared to the previous year). The injury severity index, which measures days of work missed every 1,000 hours worked, remains unchanged at 0.222 (-1% compared to the previous year). The trend over the past four years is quite consistent: our frequency index significantly decreased (-42%), while the corresponding severity index reduced by slightly less (-20%). Data and trends analyzed by geographical area can be found in Key Data section

To sustain and improve this trend, we have developed initiatives to improve Health and Safety performance on prevention actions (from lagging indicators to leading indicators): they address the pre-conditions that generate injuries, rather than focusing on performance in the workplace alone.

OCCUPATIONAL HEALTH

To address issues related to occupational health, we have launched a number of different initiatives and activities designed to create a healthier working environment. These include:

- Quito plant in Ecuador launched a sensitization and health prevention program with different initiatives (covering cardiovascular problems, HIV/AIDS prevention, drugs, tobacco and alcohol); see 1.
- Baramati plant in India carried out practical training and initiatives on ergonomics; see 3.
- Brantford plant in Canada promoted a program of assistance LifeWorks; see 2.



The injury frequency index for employees fell from 9.02 injuries per million hours worked to

7.92

⁸ The following data are related to workplace accidents (absence of more than three days) in production plants.



1. QUITO PLANT IN ECUADOR

Different initiatives have been organized in order to increase employees' awareness of Health and Safety topics during their occupational activities and leisure time.

• Cardiovascular and Metabolic Pilot Program

After the periodic medical check-ups were carried out amongst all workers, a nutritional program was developed for a group of (22) employees potentially at risk of diabetes and cardiovascular diseases. An external nutritionist collaborated on the program and worked with each employee to define a personalized nutritional program that facilitates a suitable diet both outside the plant and in the plant canteen. Employees will also undergo quarterly nutritional medical checks and complementary medical examinations.

- The key elements of the nutritional program are:

- Elaboration of nutritional clinical history, and nutritional assessment with a quarterly period
- Anthropometric measures
- Advice on nutritional counseling and cardiovascular exercise
- Publishing informative posters on the billboards in the dining area of about good alimentary practices
- A nutritional sample dish for all employees is included in the canteen selection

• Prevention programs:

During 2016/2017 several workers attended a talk about sensitization and prevention against the transmission of HIV.

Another talk focused on the effects of the use and consumption of alcohol and drugs, as an integral part of the national program and with the support of external medical personnel.

In addition, a second football championship has taken place with the slogan "for a life free from smoking, alcohol and drugs".





FERRERO PEOPLE

CONTINUED

2. BRANTFORD PLANT IN CANADA

Branford plant in Canada offers an Employee Assistance Program (EAP) that provides the following information:

- **24/7 EAP Service Centers:** Every contact is answered by a trained consultant, providing employees with confidential access to resources, tools and support.
 - **Specialized EAP Counselors:** If required, employees can access immediate support by phone from specialized professionals with a minimum of a Master's Degree in counseling, social work, psychology or a related social services profession. Counselors can also support employees through assessments, referrals, planning and follow-ups.
 - **In-Person EAP Counseling:** Referrals to the LifeWorks' network of more than 3,000 professional counselors and affiliates across Canada may be provided for in-person counseling.
 - **LifeWorks Online and LifeWorks Mobile:** Confidential access to practical information and educational resources via an award-winning EAP website and the LifeWorks Mobile app available for iPhone, BlackBerry, and Android smartphones. LifeWorks has extensive experience in providing support for critical incidents that happen during work. A crisis management team provides an initial assessment of the crisis event and recommendations for response are provided to the employer before on-site services are deployed.
- Ferrero has 24/7 online access to a dedicated team of critical incident consultants. These specialists are trained specifically in work issues, management consultation, workplace violence, threat assessment and crisis management. To return employees to productive functioning after a traumatic event, LifeWorks provides on-site critical incident response services. For on-site response, a critical incident team partners with a specialized network of critical incident management providers available 24 hours a day, 365 days a year. The major goals of LifeWorks include the following:
- Reduce the impact of a critical event
 - Protect and support employees
 - Assist employees' return to pre-incident work performance
 - Minimize the likelihood of prolonged stress responses that may lead to time lost from work, stress-related disability claims, litigation, and an increase in mistakes or accidents at work
 - Position the organization's leadership in a competent, compassionate way to enhance employee morale, trust, and loyalty
- **LifeWorks Video Counseling:** Confidential and secure video counseling session with specialized members from the professional counselor network.
 - **Consultations:** Confidential consultations on work-life issues and concerns with qualified experts.
 - **Critical Incident Stress Management:** A team with credentials including Masters in Social Work, Registered Social Worker, Mitchell, NOVA, Board Certified Expert in Traumatic Stress and Certified Trauma Specialist (CTS) is included.



3. BARAMATI PLANT IN INDIA

Baramati Plant in India celebrated its Safety Week in March 2017. The activities that took place:



- A Safety Week Celebration banner was displayed within the factory and a safety oath was taken by all employees
- Contractor safety awareness training was organized at the plant. On the first day of Safety Week Celebration, the contractors and vendors who work with Ferrero took a safety oath.
- This was followed by a one-hour safety awareness training for 24 contractors about topics such as General Safety Requirements, Gas Cylinder Safety, Importance of PPEs, Electrical Safety, Work Permit System and Fire-Fighting system
- Safety drawing competition for employees' children
- Safety quiz competition
- Safety elocution (speech) completion. As a part of the Safety Week Celebration, employees were encouraged to give a speech on any topic related to Health and Safety. Eight employees did so and the topics they covered included:
 - General safety
 - Driving and road safety
 - Benefit of near miss reporting (safety)
 - After westernization a boon or bane for Indian Women
 - Women's contribution to the economic development of society
- First Aid training was organized for 71 employees
- Participation in a safety rally. To increase awareness about road safety the "Road Safety Rally" was organized by a nearby company and 4 Ferrero employees participated in it
- Blood donation camp: in total 137 employees donated their blood
- Firefighting training: in total 28 employees participated

Baramati Safety Week



FERRERO PEOPLE

CONTINUED

TRAINING

In 2014/2015, we launched a systematic data collection process concerning health and safety training. During the last commercial year, industrial plants estimate that over 17,700 employees participated in Health and Safety training sessions (+10%), amounting to 103,000 hours of training (+20%).

Based on the number of employees working at 22 production plants involved in this report, the average number of hours of training offered is currently approximately 5.8 per capita per year (up 9% on the previous year). The main topics covered vary according to participants' roles (worker, supervisor, manager) and the specific risks they face (electrical risk, confined spaces, fork lift driver risk) with particular attention to machinery risks such as "Lock Out and Tag Out" procedure and emergency preparedness (for first aiders, firefighters).

Every year, a number of plants organize a Safety Week in order to engage employees with a range of different safety topics. See 4 and 5.



Employees participated
in Health and Safety
training sessions

+10%

4. BALVANO PLANT IN ITALY

During 2016/2017, we launched a competition called "Your safety is a treasure": all employees were given a flyer and asked to identify possible improvements on Health and Safety topics already implemented in the manufacturing plant.

Our goal was to involve workers in discovering positive improvements (often based on employees' suggestions) and to use these as examples for the future. Those who responded positively received speakerphone kits, which aim to enhance road safety and can be used in emergencies.



5. CAE INITIATIVE DEPLOYMENT IN ALBA PLANT IN ITALY

Last year, Alba shared the CAE initiative "A commitment to prevention": the first initiative aimed at the whole company and all employees represented by the CAE.

The document "A commitment to prevention" contains 10 simple rules of behavior and action and its content was communicated to all workers.

Firstly, we distributed a flyer to promote the first rule ("Commitment. We care about the safety of all.") along with a free gadget – a little anti-stress ball shaped like safety helmet, with a letter of the alphabet on it. Each worker was required to give the helmet to another person (in work or outside work) whose name starts with that letter. Additionally, we asked workers to join small working groups (10-15 people) to develop each of these rules in pragmatic safe behaviors. This project will be developed to cover all of the 10 Commitment statements.



10 Commitment standards flyer.





FERRERO PEOPLE

CONTINUED

FUTURE OBJECTIVES

Looking further ahead, we will maintain our commitment to:

- Attract, retain and motivate our talented employees around the globe, consistently and holistically.
- Provide fair and competitive, well-balanced tangible and intangible rewards, in all markets, considering local or regulatory needs and requirements and opportunities.
- Ensure an inspiring and motivating work environment, in which highly committed employees contribute to sustainable business growth and results.
- Improve and expand Ferrero Know-How Academies in order to strengthen and develop the professionalism of employees who protect and manage corporate knowledge and business assets.
- Further develop job placement projects that are already in place to attract young workers.
- Extend voluntary initiatives regarding workplace health and safety aimed at bolstering a culture of health and safety and increasing employee participation.
- Enhance our integrity and ethics strategy, including a review of the Ethics code.
- Start a digital transformation to improve business processes and ways of working.



THE FERRERO FOUNDATION

“Work, create, donate” are the Ferrero Foundation guiding values.

Established in 1983 as a Social Enterprise by Michele Ferrero, holder of the Order of Merit for Labour of the Italian Republic, the Ferrero Foundation was named after Michele's parents and uncle, the founders of our confectionery company. Since its inception, the Foundation has been chaired by Mrs Maria Franca Ferrero and is based in Alba, in the province of Cuneo, not far from the Ferrero factory. In 1991, it was formally recognized as a Foundation by the Italian Interior Ministry and, in 2005, its important social role was celebrated by the then-President of the Italian Republic, who awarded Mrs Ferrero with the Gold Medal for her work in support of education, culture and the arts.

In compliance with the ethical principles of the Ferrero family, the Foundation is a point of reference for all the Group's companies: for its social work in Stadtallendorf, Germany; for all the initiatives supported by Ferrero France for the employees,

the elderly and children, which include the Social Unit, the nursery school, the Mini Club, the summer camps, the scholastic assistance, the scholarships; and for the Entrepreneurial Projects dedicated to Michele Ferrero, that are currently active in Africa and in Asia.

With these words, spoken in 1983, Michele Ferrero expressed his desire to create and donate a Foundation with initiatives aimed at the Anziani Ferrero, the Group's collaborators who have completed 25 years of work. All the activities of the Ferrero Foundation are planned and run from January 1st to December 31st.



Year of which the then-President of the Italian Republic awarded Mrs Ferrero with the Gold Medal for the work in support of education, culture and the arts

2005



My and my family's determination has pushed us to establish a Foundation that honors the work contribution, the spirit of self-denial, the sense of responsibility and the precious loyalty of many collaborators.”

Michele Ferrero
1983

The Ferrero Foundation in Alba





THE FERRERO FOUNDATION

CONTINUED

ACTIVE AGING AND SOCIAL PROJECTS

The World Health Organization (WHO) defines health as "a state of complete physical, mental and social well-being and not the mere absence of disease or infirmity," underlining how it is a dynamic state, in which biological balance is intertwined with intellectual and emotional aspects. In 2002, the WHO adopted the expression "active aging" to indicate an aging that optimizes the possibilities of health, participation and safety to improve the quality of life. Not only physical and productive activities are promoted, but the ability to participate in social, economic, cultural, spiritual and civic issues relevant to the needs and inclinations of each individual or group.

This is what the Ferrero Foundation has been trying to do for over 30 years, aware that aging well consists in a series of activities, attitudes, ways of being and relationships. Promoting health status and preventing illness through medical supervision and physical activity, is one of its first objectives. But physical performance is just one of the components of general well-being. The mental abilities, exercised both through recreational-creative activities and through social relationships, expressed through volunteering and the development of productive activities in a broad sense, are elements that foster well-being and support Aging Well. The Foundation promotes a positive idea of old age: a period of wealth that is worth spending as best one can, in health, to express the social capital of each individual, the patrimony of values and wisdom that distinguish and characterize the senior world.

In its social component, the Ferrero Foundation provides legal advice and involves older people in its cultural events, including conferences and exhibitions.

The Foundation offers retired Ferrero employees and their spouses a program of creative, recreational, social and solidarity activities, which is accompanied by the availability of social and health assistance services and daily social and medical assistance – in the areas of Internal Medicine, Gastroenterology, Neurology and Neuro-psychiatry, Diabetology, prevention of maculopathies, Osteopathy, Podology. It provides social assistance and nursing at home, organizes courses of general and targeted motor activities, Nordic walking courses, Pilates, and functional training courses. Collaborations with specialist medical centers is ongoing, including the Foundation for the Macula of Genoa, the Institute for Research and Cure of Cancer in Candiolo, the European Institute of Oncology in Milan, the San Raffaele University Scientific Institute of Milan.

Within groups that participate in shared activities, new things are learned, old friendships are consolidated and new ones initiated. Older participants learn and teach each other. The social support network is created and nurtured. The activities provide opportunities for meeting others and creating a network of relationships alongside-all-important cognitive stimulus.

It is possible to carry out creative activities in different sectors such as printing, ceramics, photography, drawing, cutting, sewing, embroidery, cooking. Activities such as dancing, theater, singing, reading and traveling are also offered.

Solidarity inspires the activities of different groups, both those who practice it directly and those who see in their work a benefit for others. Solidarity is expressed through initiatives such as long-distance adoptions or the organization of shows and visits to retirement homes. Some participants are involved in civil protection and a group of volunteer drivers accompany unwell older people on appointments for specialist diagnosis or treatment. To ensure that volunteering is guided by knowledge, specific training courses have been set up to make volunteers aware of issues of practical assistance and psychological support in conditions of sickness, need and loneliness.

Even retired employees of the Ferrero branches in the rest of Italy, who, as Michele Ferrero said, "have contributed with commitment and seriousness to the development of the Company", feel the benefits of this philosophy. They organize regular friendly meetings, support personal relationships and share interests and passions.

The initiatives of the Ferrero Foundation have been evolving for over 30 years. The Foundation's philosophy and structure have been extensively described in previous Ferrero Group CSR reports.



In 2017, medical and social healthcare made

1,064

visits to retired Ferrero employees and their spouses in Alba



Ferrero Foundation
sewing group



SOCIAL AND HEALTH ASSISTANCE

During 2017, 1,064 medical and social healthcare visits were made to retired Ferrero employees and their spouses in Alba and the surrounding area. In addition, these ex-employees and their spouses made a total of 2,064 visits to medical centers, where they were helped by specialists to deal with a range of conditions, including motor activity courses, neurological, diabetic, podological and osteopathic treatments.

Thanks to the presence of a professional nurse and the availability of a group of volunteer nurses, the infirmary service completed blood samples, blood pressure measurements, intramuscular and subcutaneous injection therapies, electrocardiograms, blood glucose readings, and medications. The infirmary service carried out 4,715 procedures.

Courses of normal and targeted motor activity, nordic walking and Pilates, are also open to retired Ferrero employees in service, through a functional training course. During the year, there were 19,943 participants.

The screening program for the early prevention and early diagnosis of age-related macular degeneration, organized in collaboration with the Macula Foundation of Genoa, continues to bear fruit in terms of safeguarding and protecting health. The screening started in 2005, with 1,647 retired Ferrero employees participating to date.

The Foundation provides legal advice and involves older people in its cultural events, including conferences, exhibitions and conferences."



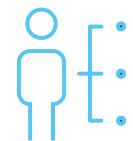
Nordic walking activity

The research project carried out in collaboration with the ASL CN2 Alba-Bra has also continued with great success. The project is a prospective observational study that aims to gain deeper understanding about whether patients offered supplementary medical services have greater health benefits compared to the general population.

In addition to this study, the Foundation has embarked on a second research study, in collaboration with the Catholic University of the Sacred Heart of Milan and the Policlinico Gemelli of Rome.

HOME-BASED MEDICAL AND HEALTH ASSISTANCE AND MEDICAL LABORATORY

The Foundation manages a home-based healthcare service for older and retired Ferrero employees and their spouses who are residents in Alba and the surrounding area. The goal is to collaborate with family members and the treating physician in all medical cases in which a retired employee needs healthcare support within the home. This service integrates (but does not replace) the existing ADI (Integrated Domestic Support) service provided by the public healthcare system, offered by the ASL CN2.



Participants to the functional training course organized by the Ferrero Foundation

19,943



Ferrero Group CSR reports available at: www.ferrerosr.com



THE FERRERO FOUNDATION

CONTINUED

Thanks to the presence of a group of volunteers and a dedicated vehicle, a professional registered nurse travels to the patient's home. This is the first step in creating a strong network of professionals, comprising members from the medical and nursing services department of the Foundation, the treating physician and the patient's caregiver(s).

For each patient, the clinical parameters and set of data are collected and included in a database, which is dedicated to the multidimensional evaluation of his or her condition; this allows all members of the medical team to consult the patient's complete clinical picture in order to monitor progress over time and provide timely therapeutic assistance.

THE FERRERO NURSERY "IL NIDO"

The Ferrero nursery has been running since the autumn of 2009. It can accommodate 80 children, aged 3 months to 3 years, at subsidized rates and between 5-10% of places are reserved for the children of Alba, as indicated by municipal regulations.

Since it was established, the Ferrero nursery has established itself as a place to serve children as well as a space for meeting, information, support, creative action, and training and exchange for parents, educators and care workers.

The architectural design of the nursery is modern and suitable for children, with safe and clean spaces where they can move freely, rest, play and have fun.

The nursery offers support and advice to families, organizes meetings and promotes talks on educational issues dedicated to parenting and the healthy growth of children. For the different educational activities there are laboratories of light, painting, materials for creative activities and music. In addition, the outdoor space allows, depending on the seasons, children to be in contact with nature.

The nursery is equipped with an indoor kitchen that uses fresh seasonal products. Our retired employees visit the nursery and act as "grandparents" to the children. They participate in different activities with children and parents. These "grandparents" provide time, experience and affection. They read to the children, help prepare food and share crafts and garden with them.

The Foundation's medical service provides advice at the Ferrero nursery for minor traumas or minor illnesses that do not require a visit to a hospital emergency department. Monthly meetings are organized with the director and periodic coordination is carried out with the pediatricians of ASL CN2 Alba-Bra. In addition, training sessions are held regularly for professional educators and day care staff.



The Ferrero nursery
has been running since
the autumn of

2009

MASTER IN SCIENCE AND TECHNOLOGY OF HUMAN NUTRITION – "MICHELE FERRERO"

The objective is to train specialists in technology, medical, biological and chemistry fields. It is intended for individuals who want to work in the food production department of a food company or in a food research and development laboratory.

The Master's course takes into account how the production choices of the food industry reflect new consumer demands, lifestyle changes and the effects of globalization on consumers. Two prizes, worth €5,000, are awarded to students who have completed the course with the best grades, and a third prize, of equal amount, is given to the student with the best thesis.

As in previous years, the Ferrero Foundation in Alba has continued its fruitful collaboration with the University of Turin to offer the second-level Master's degree course in Science and Technology of Human Nutrition.



Retired employees and children at the nursery



Piero Bianucci and
Massimo Livi Bacci
during a conference

SUCCESSFUL AGING CONFERENCE 2017: AGING OPPORTUNITIES

In 2017, an Aging Conference was held under the patronage of the European Parliament. It comprised three intense days of study, training and dissemination, accredited ECM for all health professions, to talk about aging from a scientific and social point of view with the help of experts and international guests.

The bi-annual convention has reached its third edition, in collaboration with the Medicine of Turin Academy and the Cattolica del Sacro Cuore di Milano University, spurred on by a growing interest on the subject by both health professionals and the media. The event represented a significant moment for reflection on a key and inevitable aspect of our society. The increase in longevity is in fact a two-fold phenomenon: on the one hand it is considered as progress in the medical-health, economic and social fields of the twentieth century, particularly in industrialized countries. On the other hand it generates demanding and burdensome implications for the general community, in those same fields, in the immediate future.

The conference was divided into four sessions, covering many important thematic areas: Longevity and Fragility, which brought together the contributions of medical researchers and clinicians; Economy/Welfare and Technology/Environment, which explored the connections and the wider implications of the theme of the conference, concerning the welfare state and the pension system, nanotechnologies and robotics, therapeutic techno-assistance and global climate change. A third day was dedicated to the dissemination of the results of the work to the general public. Under the title, The science of longevity, and entrusted precisely to the care of Piero Bianucci, a roundtable hosted experts including Piero Angela, Marcello Cesa-Bianchi (founder of the Institute of Psychology of the Medical Faculty of the University of Milan), Giancarlo Isaia (professor of Geriatrics at the University of Turin) and Maria Rita Parsi (writer, psychologist and psychotherapist of the Fabbrica della Pace Movimento Bambino Onlus). Angela and Cesa-Bianchi, respectively 89 and 91 years old, also participated on behalf of all the elderly who are aging well.



Number of meetings
in which the free
project to older and
retired employees
is structured

6



THE FERRERO FOUNDATION

CONTINUED

HIGHER EDUCATION FOR THE FAMILY

The Foundation offers a free course, designed by Professor Maria Rita Parsi, for the families of older and retired employees to talk about the evolution of the family and to examine difficult issues and relationships inside and outside the family unit. It helps participants to develop awareness, recognize and resolve daily family problems, by sharing food for thoughts that can continue to develop in the family and in a wider social context. The project is structured around six meetings, divided into theoretical lessons and workshops.

CULTURAL PROJECTS

The Ferrero Foundation promotes the importance of participation in cultural events and activities. It offers training and educational initiatives while also offering the public opportunities to share ideas and knowledge. The Ferrero Foundation made its debut in the field of visual arts with an exhibition in 1998, dedicated to the landscapes of the Langhe and the artists who were inspired by this territory, now a World Heritage Site. Since then, the Foundation has organized and promoted, on a biannual basis, historical-artistic exhibitions characterized by scientific rigor and originality of ideas and paths. The Foundation's interests and actions range from the Roman age to the twentieth century; projects can be dedicated to a single theme, illustrated by different authors, or to significant retrospectives, in collaboration with national and foreign institutions and museums. Close attention is paid to educational activities that are an integral part of art exhibitions.

The Foundation also provides, each year, national and international scholarships for the children of Ferrero employees and the elderly, with also supporting scientific research and research doctorates.



Year of debut of the Ferrero Foundation in the field of visual arts with an exhibition

1998

School visit to these exhibitions are specifically and meaningfully designed with a focus on play, creativity and learning to encourage children discovery and creativity. These free exhibitions have been visited by tens of thousands of people, who appreciate the high quality of the exhibited works. These exhibitions are a concrete and continuing expression of Corporate Social Responsibility implemented by the Ferrero Family.

Previous exhibitions, conferences and publications have covered: the Renaissance painter Macrino d'Alba and the Piedmontese Primitives; the art historian Roberto Longhi (1890-1970), originally from Alba, as well as the artist Pinot Gallizio (1902-1964), who was one of the founders of the International Situationist; Giuseppe Vernazza (1745-1822), politician and scholar of vast interests; the figures of the Roman emperor Publio Elvio Pertinace, who lived in the second century AD, and of the sixteenth century jurist, Pietrino Belli, a pioneer of international and humanitarian law. In the name of Roberto Longhi, the Foundation has created an exhibition dedicated to the landscapes of Giorgio Morandi, followed by well-known anthologies of the work of Carlo Carrà, Felice Casorati, Giacomo Balla. In the literary field, the Foundation has been involved, since 1996, with the writer Beppe Fenoglio (1922-1963) through a Documentation Center that promotes different initiatives and is open to researchers, students and enthusiasts. The Foundation also provides, each year, national and international scholarships for children of Ferrero employees and the elderly, supporting scientific research and research doctorates.

Rossella Spinoso and Alessandro Calcagnile in concert

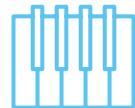


The following events have accompanied the FuTurBalla exhibition:

- Mario Verdone: portrait of an intellectual without limits with his sons Luca and Carlo Verdone. Full Professor of History and Criticism of Cinema at the University of Rome "La Sapienza", scholar of all forms of entertainment, art critic, essayist, writer and poet, Mario Verdone has been the subject a dedicated conference, in particular, his studies and his passion for Futurism and Futurist cinematography.
- In collaboration with the Alba Music Festival, a concert by the PianoX2 piano duo of Rossella Spinoza and Alessandro Calcagnile was mounted. The concert program was dedicated to the Russian composer Igor Stravinsky, starting with the work Feu d'artifice, the "fantasy" that Stravinsky

wrote for the famous theatrical impresario Sergei Diaghilev, and dedicated to his teacher Rimsky-Korsakov. The opera inspired the famous theatrical impresario Diaghilev, who saw the material for an unprecedented and surprising "Russian ballet". Feu d'artifice was staged in Rome, at the Costanzi Theater, on April 12th, 1917, with sets by Giacomo Balla, the only ones among those imagined by the artist to be made.

- Still in the context of the FuTurBalla exhibition, the documentary, Giacomo Balla et le Futurisme, directed by Jack Clemente was shown. A French television production, it belongs to a cycle dedicated to the great pictorial movements of the twentieth century, which in 1972 won the Silver Lion at the Venice Film Festival.



In collaboration with the Alba Music Festival, a concert by the PianoX2 piano duo of Rossella Spinoza and Alessandro Calcagnile was staged





THE FERRERO FOUNDATION

CONTINUED

During 2017 the Piera, Pietro and Giovanni Ferrero Foundation organized the following events:

- **Luca Mercalli**, climatologist, director of the magazine Nimbus, president of the Italian Meteorological Society, national association founded in 1865. Conference title: Greenhouse effect: what will it do to the environment.
- **Carlo Alberto Redi**, professor of zoology and developmental biology at the University of Pavia. Conference title: DNA EFFECT: read, write and correct the project of life.
- **Claudio Marazzini**, president of the Accademia della Crusca, full professor of History of Italian Language at the University of Eastern Piedmont. Conference title: "Petaloso" effect: from Dante to the itangliano.
- **Massimo Livi Bacci**, demographer, Professor emeritus of the University of Florence. Conference title: Baby effect.
- **Riccardo Zecchina**, professor of Theoretical Physics at the Bocconi University of Milan, head of the Computational Biology Unit at the Human Genetics Foundation. Conference title: Artificial Intelligence effect. The revolution of algorithms.
- **Maurizio Ferraris**, Professor of Theoretical Philosophy at the University of Turin. Conference title: Thought effect. Where philosophy goes.

Musical events this year included the ongoing collaboration with the Music Union of Turin, a non-profit association founded in 1946, and with Italy & Usa Alba Music Festival, a live review by the musicians Giuseppe Nova, Jeffrey Silberschlag, Larry E Vote.

The Company magazine Filodiretto was published four times this year as usual and sent to over 20,000 people around the world, including Group employees and "seniors". The magazine is translated into four languages (English, German, French and Spanish) and contains a report on the initiatives of the Ferrero Group, the individual companies and the Foundation.



The Music Union of Turin was founded in

1946

FUTURE OBJECTIVES

The exhibition "From nothing to the dream. Dada and Surrealism from the collection of the Boijmans Van Beuningen Museum" is currently being planned. It will open up a more international dimension, with an exhibition on Dada and Surrealism. The project stems from a collaboration with the Boijmans Van Beuningen Museum in Rotterdam, an ancient and prestigious Dutch institution that owns a famous Surrealist collection. Curated by Marco Vallora, the exhibition will be open to the public in the spaces of the Ferrero Foundation, in Alba, from October 27th, 2018 to February 25th, 2019.

A new kindergarten project will be developed as part of our welfare initiatives. This will complete the Group's offer for the employees families to support preschool children.



MICHELE FERRERO ENTREPRENEURIAL PROJECT



Great souls are like clouds: they gather water to then disperse it.

Kalidasa, [कालिदास] IV-V century A.D.

The same entrepreneurial and philanthropic spirit that has characterized Ferrero since its founding, was the main source of inspiration behind the Ferrero Social Enterprises, which were conceived and established over 12 years ago in Cameroon, and later in South Africa and India. Subsequently, in 2015, the Ferrero Social Enterprises were renamed the "Michele Ferrero Entrepreneurial Project", in memory of Michele Ferrero, holder of the Order of Merit for Labour of the Italian Republic who strongly advocated and supported the Ferrero Social Enterprises project at every stage of their development.

Cavaliere del Lavoro Michele Ferrero
April 26th, 1925 – February 14th, 2015

The Michele Ferrero Entrepreneurial Project includes fully fledged commercial enterprises. Their goal is to earn profits but nonetheless, they act according to a "social" spirit because they aim to create jobs in the least developed areas of emerging countries. They implement projects and initiatives of a social and humanitarian nature, aimed at safeguarding the health and educational and social development of children and young adults in those countries, independently from achievement, or failure to achieve, positive balance results.

The "social spirit" extends to humanitarian initiatives implemented in areas where the project operates. These initiatives are aimed at safeguarding the health and educational and social growth of children and young people. They have been developed under the emblem below.

The Michele Ferrero Entrepreneurial Project started in Cameroon (Yaoundé) in 2005, in South Africa in 2006 (Walkerville/Midvaal, Gauteng) and in India (Baramati/ Pune, Maharashtra⁹) in 2007.



Cameroon
(Yaoundé)



South Africa
(Walkerville/Midvaal
Gauteng)



India (Baramati/Pune,
Maharashtra)





MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

THE MICHELE FERRERO ENTREPRENEURIAL PROJECT'S MISSION IS TWOFOLD:

Job creation

The Michele Ferrero Entrepreneurial Project, targeting the communities where it operates, aims to not only provide its collaborators with an income that enables them to make a living for themselves and their families, but also to share a strong sense of dignity with working men and women, offering them the possibility

to control their own destiny; ensure professional training and skills acquisition; and foster a modern industrial workplace culture.

The opening of production plants provides business opportunities for many companies in the area. In addition, locally sourced raw materials are selected, when possible, for the production of Ferrero products, resulting in the creation of additional jobs along the entire supply chain to support economic development and prosperity in the wider local community.



Social funds are used
to carry out specific
social projects over

3 years





The realization of social and humanitarian projects and initiatives

To achieve this goal, a "Social Fund" is organized based on annual production volumes at each plant. The total funds in this "Social Fund" are transferred to a dedicated bank account in a local bank. Following a three-year plan, the funds are then used to carry out specific social projects, which are chosen together with local institutions and based on the recommendations of the Ferrero Foundation.

To date, the social and humanitarian initiatives of the Michele Ferrero Entrepreneurial Project have focused on offering various forms of educational and healthcare assistance to children. These activities include: the renovation of public school buildings and primary schools; support for childcare facilities dedicated to homeless children; seminars for young people, to raise awareness on the prevention of infectious diseases.





MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

JOB DEVELOPMENT AND SOCIAL IMPACT

As of August 31st, 2017, businesses participating in the Michele Ferrero Entrepreneurial Project have collaborated with 2,895 people¹⁰, equaling approximately 6.9% of the total workforce of the Ferrero Group.

There were 206 people working in the production plant in Cameroon; 2,349 in India; and 340 in South Africa.

The production plant in India is ranked fourth in terms of labor force absorption capacity, out of the 23 production plants of the entire Ferrero Group.

For each worker employed directly employed in the confectionery sector there's at least one generated working position in the local supply chain (raw material supply, packaging, logistic services). This triggers a virtuous system that promotes the necessary conditions for sustainable development within the communities in which the Michele Ferrero Entrepreneurial Project operates.

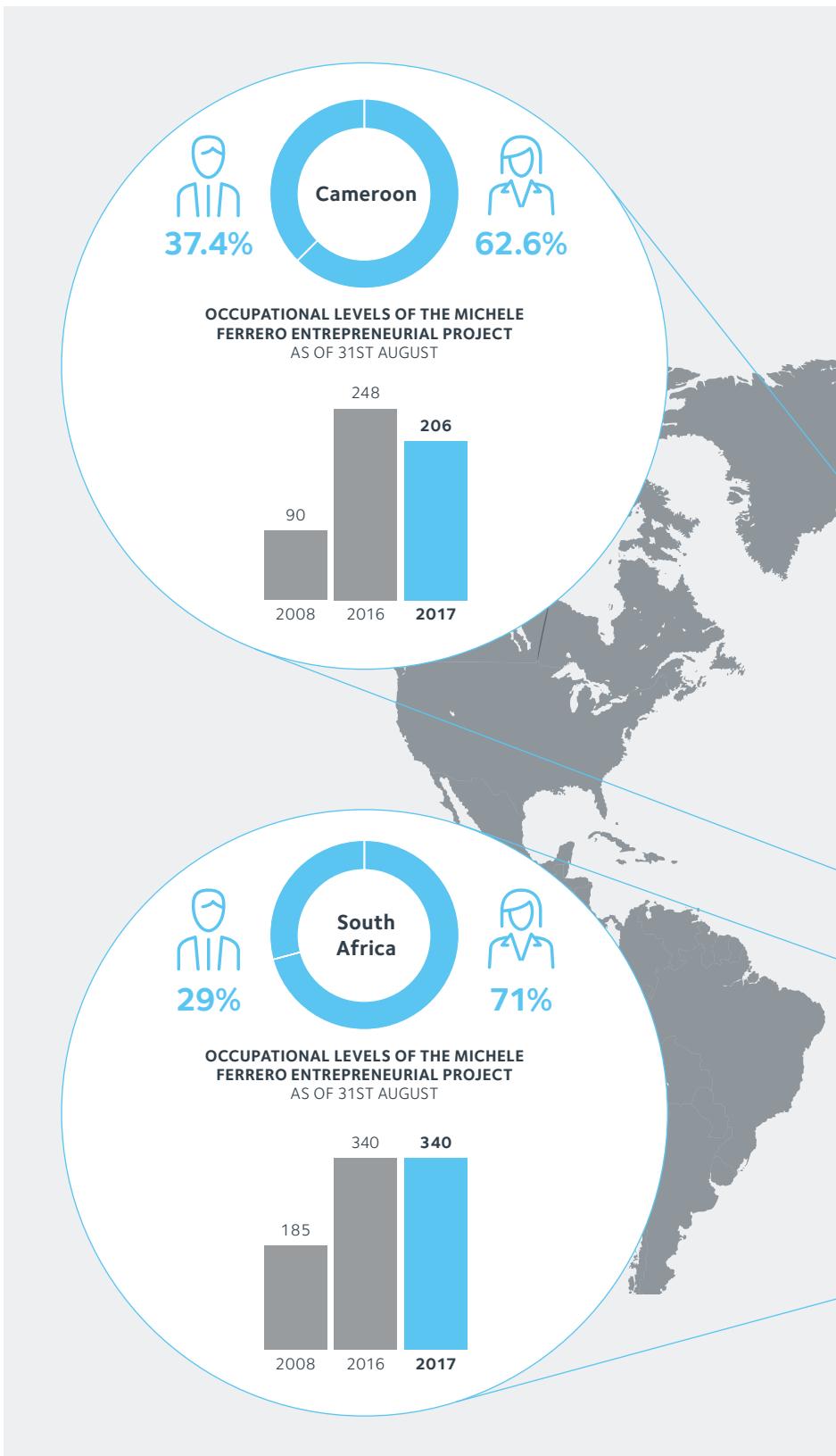
There are more women than men employed at our plants in South Africa and Cameroon. The opposite is true, however, in India, for reasons mainly related to cultural, economic and logistical issues that tend to limit the social mobility of women in India.

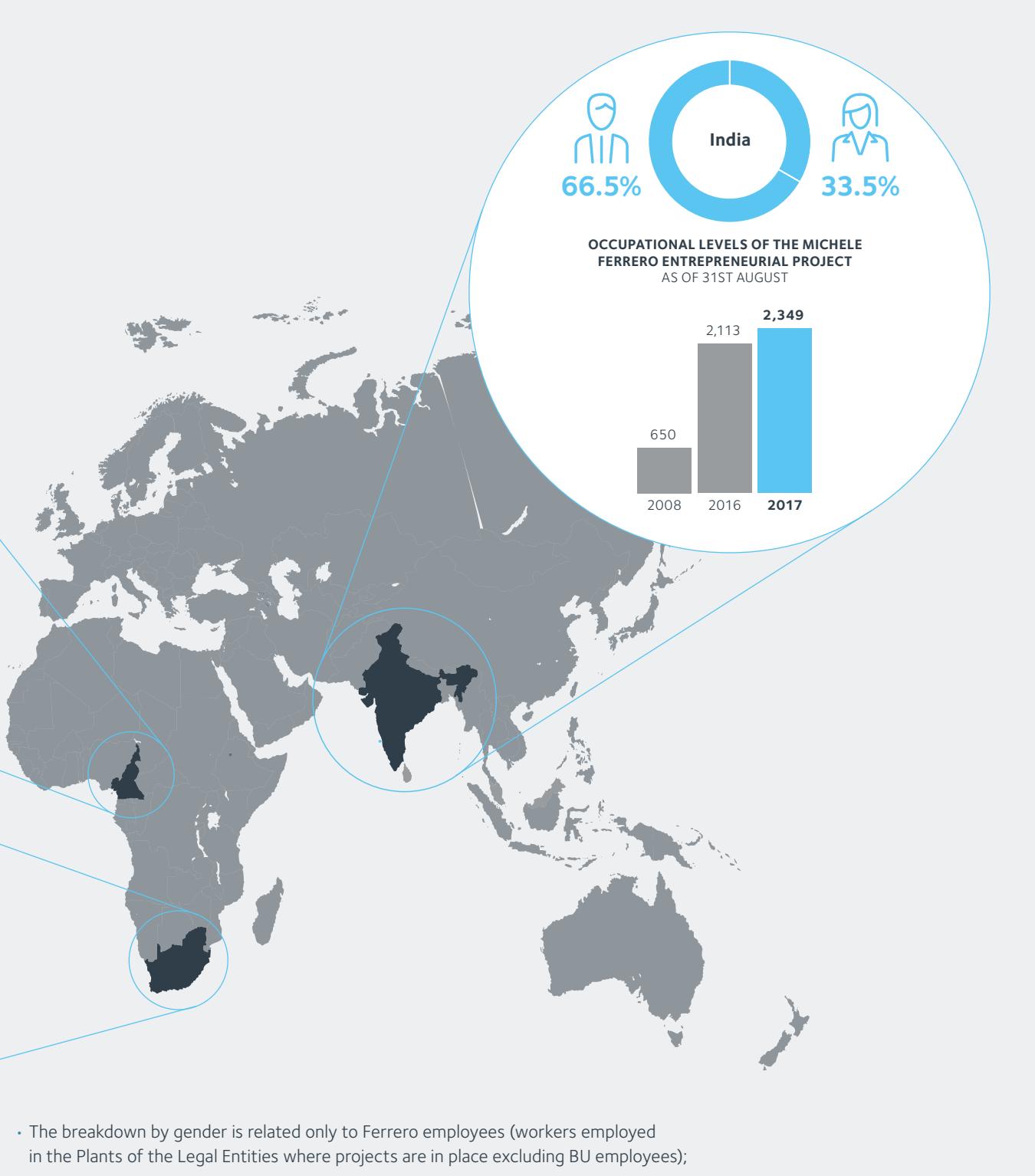
Since its establishment, the social mission of the Michele Ferrero Entrepreneurial Project has been extended to include projects and initiatives of specific interest to the local communities in which it operates. These projects and initiatives have focused on safeguarding the health, educational and social growth of children and young people and have been implemented in close collaboration with the Ferrero Foundation and local institutional authorities.



For a more detailed description of the initiatives and projects carried out over the last few years, please consult the previous CSR reports, which are available at www.ferreroCSR.com, and via the website of the Michele Ferrero Entrepreneurial Project at www.progettoimprenditorialemf.it

¹⁰ This number includes Ferrero's external collaborators, such as temporary workers, sales agents, trainees and interns and other forms of direct collaboration, with the exception of service collaborators.







MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

DEVELOPMENT OF INDUSTRIAL ACTIVITIES: LOCAL IMPACT AND IMPORTANCE WITHIN THE GROUP

The production activities of the Michele Ferrero Entrepreneurial Project are particularly focused on the realization of products from the KINDER® line.

Well-known around the world, the KINDER® line has developed a series of products with a shared mission: to contribute to the joyous growth of children and youth, based on a healthy emotional and cognitive development and to build a relationship with families, thanks to the high quality of products, the care taken during their production and their appropriate product portions.

The operational methods adopted by the production plants of the Michele Ferrero Entrepreneurial Project are as follows:

- technologically innovative and automated production equipment (regarding the edible part of the product), ensuring the same level of quality and safety as is found in Ferrero products produced in the rest of the world;
- manuals regarding the production of non-edible product components (especially in the production of KINDER® Joy, known in Italy as KINDER® Merendero) and other ancillary activities, with the aim of offering employment to as many people as possible.

In all three production plants of the Michele Ferrero Entrepreneurial Project, the edible part of KINDER® Joy is made in the same way. In India and South Africa, the Tic Tac® pill is made with automated Ferrero technology, while the packaging phase is semi-automatic. In the Fiscal Year 2016/2017 72% of the agricultural raw materials for these plants were purchased from local producers, in line with the previous year.

The local sourcing of raw materials enables an increase in employment opportunities within the supply chain. In Cameroon, the Ferrero Group has been working to transform the production facility into a research and experimentation center dedicated to raw materials and the production of semi-finished products.





FROM EXPO 2015 TO GADO BADZERE 2016: THE MICHELE FERRERO ENTREPRENEURIAL PROJECT HAS DONATED NEW CLASSROOMS TO REFUGEE CHILDREN IN CAMEROON

In October 2016, an educational school project for children and youth at the refugee camp of Gado Badzere was completed in the south east of the country, bordering on the Central African Republic. The camp in Cameroon hosts thousands of refugees who fled the war in Central Africa.

There are over 1,000 refugee children between six and eight years who do not attend school.

The project involved the reuse of some of the modules used within the Ferrero structures at the Expo 2015 in Milan (designed for residential use) and the transformation into four school classrooms for these children and young adults. It was carried out in collaboration with the Geneva-based United Nations High Commissioner for Refugees, which is an agency dedicated to supporting refugees and has been awarded two Nobel Peace Prizes for its work.



The Geneva-based United Nations High Commissioner for Refugees has been awarded two Nobel Peace Prizes for its work





MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

THE NEXT STEPS

During the meeting "Sustainable Development and Social Services of Ferrero", held during the 2015 Milan Expo in October 2015, the Ferrero Group's commitment to the Michele Ferrero Entrepreneurial Project was celebrated. This is because the Michele Ferrero Entrepreneurial Project is among the Group's most significant initiatives and an important part of its work in reaching its social responsibility goals.

The event was also an opportunity to announce that some of the modules used for the Ferrero Group's pavilions and installations at the 2015 Milan Expo

would be sent and reused in two countries in Africa, continuing to create value even after the conclusion of the international event in Milan.

For example, in Cameroon these modules have become classrooms, which – as the present report was going into print – were already being used to teach children and young adults at the refugee camp of Gado-Badzere located in the southeast of the country that borders with the Central African Republic. This initiative was realized in collaboration with the United Nations High Commissioner for Refugees (UNHCR).



Social funds are used
to carry out specific
social projects over

3 years





Meanwhile in South Africa, other modules will be reassembled near the Walkerville plant and become a paediatric outpatient clinic for the children of both the plant employees and the local community. Moreover, this structure will help improve the healthcare currently being offered to Ferrero employees there.

During the period covered by this report, bureaucratic procedures to request the relevant administrative permits for this healthcare center had already been initiated with the local authorities.



MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

The Michele Ferrero Entrepreneurial Project has provided a new primary health care center at its Walkerville plant for its partners and their families.

In 2017, a Primary Health Care Center (PHCC) was completed at Ferrero South Africa's plant at Walkerville in the Gauteng province, for use by the plant's workers and their families.

The project involved the reutilization of some of the modules originally designed for residential use and included in the Ferrero pavilion at the Expo 2015 in Milan, which were transformed into a modern medical center covering around 100m².

This project marked the end of a long journey that started with the participation of Ferrero at the universal exposition held in 2015 in Milan. Expo 2015 focused the world's attention for six months on the right to healthy, secure and sufficient food for all people. It also dealt with a wide range of related issues.

In particular, it stressed the need for food production sustainability, aimed at protecting the planet and its people, and for fighting food waste worldwide. The attention to sustainable development and environmental care was further highlighted and symbolized by the request to dismantle all pavilions at the end of Expo 2015, and to leave the Expo area in its original state, free of buildings.

Ferrero took up this challenge in earnest. We designed our pavilions so that they could later be completely dismantled and reconverted in order to support two philanthropic initiatives implemented in Africa by the Michele Ferrero Entrepreneurial Project and continue to create value in the years to come.

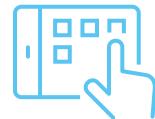
The first initiative was the construction, in 2016, of four classrooms for children at the refugee camp of Gado Badzere, in the south east of Cameroon, bordering on the Central African Republic. The camp is run by the United Nations High Commission for Refugees. It hosts thousands of children who fled the war in Central Africa.

A year later, after obtaining all relevant administrative permits, the Primary Health Care Center (PHCC) was built at Walkerville with a twofold objective.

The first objective is to strengthen and improve mandatory occupational health care services – these were previously provided by a nurse, few hours a week to our workers at a small infirmary within our plant.

The second, and more important objective is to provide primary health care services for our workers and for their children and family members. The scope of this project extends beyond the perimeter of our plant and seeks to benefit the local community.

The new PHCC is manned by a full time nurse, available five days a week, as well as by a doctor, on-site twice a week, but available, on call, 24 hours a day.



The new PHCC is available on call

24/7





The PHCC roof was painted with state-of-the-art varnish that is anti-rusting and thermo-refracting, thanks to internal ceramic components that reduce the temperature by up to

45%

In 1994, South Africa's first democratic government inherited great inequalities in health. Since then, many far-reaching improvements have been made in the South African health sector. However, much remains to be done to ensure that the vision of "health as a human right" becomes a reality for all South Africans.

More than 80% of the nation's population has no medical insurance and depends on a public health system with too few doctors and dilapidated facilities. For example, in 2017, there were more than seven million people infected with HIV, with over half of these on lifelong antiretroviral therapy (ART). This situation greatly limits the capacity of the present health system to adequately serve all people in need of care and contributes to prevent high numbers of families and their children from accessing basic health services, especially in low-density populated areas.

The Primary Health Care Center addresses priority needs for both the local community as well as the local public health authorities. It provides basic health care services to our workers, their children and family members residing within peri-urban communities scattered around our Walkerville plant. It saves our workers from spending long hours commuting to public medical facilities and from requesting absences from work. Finally, it contributes to relieve the pressure on often overcrowded and under-funded public health facilities.

The love for high-quality performance characterizes the very essence of the "Ferrero way of doing things" so it is no surprise that the PHCC was built with innovative high-quality materials and construction techniques. For instance, its roof was painted with state-of-the-art varnish (developed by NASA technology) that is anti-rusting and thermo-refracting, thanks to internal ceramic components that reduce the temperature by up to 45%. Thermo-insulating materials and interspaces were built within its walls, contributing to further limit the energy costs for cooling interior spaces in summer and for heating them in winter.

In addition, the special varnish helps to reduce maintenance costs of the painted surfaces, thanks to its consistency (two coats of this varnish ensure a thickness of 250 microns, compared to 50 microns in traditional varnishes).

The construction components of the PHCC were shipped from Italy to South Africa, thanks to the support of Maersk. They were then re-assembled, locally, under the close supervision of an Italian-qualified construction team.

The PHCC facility was officially opened in 2018 by the Italian Ambassador to South Africa, Pietro Giovanni Donnici, together with Gauteng Health Chief Information Officer, Solly Cave; the Midvaal mayor, Bongani Baloyi; the CEO of the Nelson Mandela Foundation, Sello Hatang; the TV host, Andile Gaelesiwe and Ferrero senior representatives.



KINDER+SPORT

KINDER + SPORT JOY OF MOVING, ACTIVE PEOPLE

Our international Social Responsibility program, Kinder + Sport Joy of Moving, promotes the importance of movement and daily physical activity for children and young people around the world, to support their long health and happiness. The movement is gaining momentum all the time.

The project is inspired by the innovative educational method "Joy of Moving", a methodology based on academic research and experimentation in the field over many years, which has allowed us to scientifically validate a new approach to physical activity; one that aims at developing healthy habits and joy in physical movement. The "Joy of Moving" philosophy is the distinctive and original feature that distinguishes in all activities undertaken through the project.

Launched in 2005, the Kinder + Sport Joy of Moving project is now in its 12th year. It has been part of our Group's social responsibility program since this was launched in 2013.

The program is becoming an increasingly integral part of our corporate culture: the Joy of Moving has transformed employees into ambassadors who are actively involved in sharing the Joy of Moving with their families and others. Some of our Group BU employees have also launched the Kinder + Sport Joy of Moving Day: a day devoted to sport, movement, and above all joy and friendship. This was first organized for the 70th anniversary of Ferrero. The event demonstrated once again our success in spreading healthy lifestyles.

Promoting the joy of movement from an early age helps to root the importance of sports practice in younger generations; in future this may result in more and more active, healthy adults.



Launched in 2005,
the Kinder + Sport
Joy of Moving project
is in its

12th Year



Kinder+Sport Joy
of Moving Area during
the CONI National
Sports Day in Rome



THE JOY OF MOVING APPROACH AND THE RIGHT TO PLAY

The success of the Kinder + Sport Joy of Moving program derives from its success in meeting a primary childhood need – joy: the innate ability to discover the world and relate to it through pure fun.

The physical activities promoted through this approach allow children to amuse themselves and most importantly to develop their psychomotoricity in a totally natural way, through the language most congenial to them: the game.

In our society, children are increasingly denied their right to play, with very serious consequences.

The guided game provided by the Kinder + Sport Joy of Moving program allows children to learn, to build their own identity, to establish social relationships, to discover themselves and others and to get closer to sport in the most congenial way.

Playing is a right that must be safeguarded and defended as established in article 31 of the UN Convention on the Rights of the Child, approved on November 20th, 1989:

- States Parties recognize the right of the child to rest and leisure, to engage in play and recreational activities appropriate to the age of the child and to participate freely in cultural life and the arts.
- States Parties shall respect and promote the right of the child to participate fully in cultural and artistic life and shall encourage the provision of appropriate and equal opportunities for cultural, artistic, recreational and leisure activity.



STRENGTHENING OUR APPROACH TO SOCIAL RESPONSIBILITY

The Kinder + Sport Joy of Moving program is now a consolidated reality across the our Group. Year after year, its activities allow the promotion and diffusion, to an ever wider and more international audience, of the culture of movement and sport. It does so by focusing more and more attention on with an approach on entertainment as a characterizing spirit of "doing sports and moving with joy".

The **five principles of responsibility** that Kinder + Sport Joy of Moving supports in the countries in which it operates are:

1. CLEAR RULES

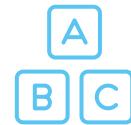
We follow clear rules, and through shared processes at the global level, we guarantee the coherence of the project's implementation and commitment to responsibility. Instruments such as the Decalogue, the Brand Book and the PR Manual define and govern all aspects of the project to ensure transparency and continuity.

2. CONCRETE PARTNERSHIPS

The main activities of Kinder + Sport are created and organized in partnership with a range of national and international partners, such as Olympic Committees, Ministries and Universities as well as institutions and federations that are reliable and experienced in sports education. Particular attention has been paid to strengthening the partnership with the International School Sport Federation (ISF), a reference point for sports education for students across the world. Kinder + Sport collaborates worldwide with four Olympic committees and 132 federations and sports associations.

3. EDUCATIONAL APPROACH:

By putting sports education at the heart of our project, we help children grow and learn the most important values inherent in sports and healthy lifestyles, such as honesty, friendship, integration and trust in others. Along with our partners CONI and MIUR, the innovative and original Joy of Moving method which enables the motor literacy in children that starts from the game, was presented at the 2015 Milan Expo. The Kinder + Sport Joy of Moving experience at Expo has been a relational flywheel, and the Joy of Moving method has become the legacy of this great experience, giving life to new partnerships, new activity and research projects that are in development.



The guided game provided by the Kinder + Sport Joy of Moving program allows children to learn, to build their own identity, to establish social relationships, to discover themselves and others and to get closer to sport in the most congenial way



The innovative and original Joy of Moving method which enables the motor literacy in children that starts from the game, was presented at the 2015 Milan Expo



KINDER+SPORT

CONTINUED

4. "GLOCAL" DEVELOPMENT:

The expansion of the program in various countries, each with their own ethnic and cultural characteristics and traditions, goes hand in hand with a global approach that is fully coherent with the founding principle of the Joy of Moving project: Joy!

5. MEASURING PERFORMANCE:

A worldwide monitoring program has been established in order to continuously evaluate the project results.

The Kinder + Sport Joy of Moving program continues to encourage the responsible promotion of movement internationally, but also increasingly within our Company where it influences our corporate culture and invites employees to become an active part of change and improvement – not only in their own lives but also in their families and wider social groups.

In this spirit, we decided to celebrate our 70th anniversary in the name of Joy of Moving. We created the first Kinder + Sport Joy of Moving Day in Italy, Germany, Luxembourg, Monaco, Holland and Belgium. Employees, families and friends who participated in these events, shared a celebration of active life, characterized by a healthy spirit of friendship and fun.



We decided to
celebrate our

70th

anniversary in the name
of Joy of Moving, creating
the first Kinder + Sport
Joy of Moving Day



ISF event
(International Sport
School Federation)



KINDER + SPORT FULL YEAR RESULTS

2016/2017

4m

Kids moved

132

Federations and associations

7,796

Events

2.5m

Technical kits distributed

1,561

Testimonials

€11.8m

Total investment



The purpose of the method is to develop aware and active citizens by building their natural joy in movement

GLOBAL RESULTS 2016/2017

Four million children have been involved in Kinder + Sport Joy of Moving programs and we have passed an important milestone in moving towards our objectives thanks to the activation of Kinder + Sport projects in 30 countries: Argentina, Austria, Brazil, Bulgaria, China, Colombia, Croatia, Czech Republic, France, Germany, Greece, Hong Kong, Hungary, India, Israel, Italy, Luxembourg, Malta, Mexico, The Netherlands, Poland, Portugal, Principality of Monaco, Romania, Slovenia, South Korea, Spain, Sweden, Switzerland and the United Kingdom.

The project is truly multidisciplinary, with 23 sporting disciplines now covered in 2017:

- activities focused on the Joy of Moving method are ongoing in schools in Italy and in Mexico City with the "Comunidades Recreativas" initiative and with the Summer Camps in Italy, France, India and Luxembourg;
- with the aim of consolidating the international validation of research at the basis of the Joy of Moving method, a research project was promoted with Ferrero Australia and the University of Deakin;
- on Ferrero's 70th birthday, six events were organized through the adoption of the Kinder + Sport Joy of Moving Day format – in Italy, Luxembourg, Germany, Monaco, Holland and Belgium, where BU employees with their family and friends spent a day of movement and joy. This is a successful format that can be replicated in the future.

THE JOY OF MOVING METHOD: THE EXPO LEGACY

Kinder + Sport Joy of Moving supports and encourages movement through its playful and joyful approach. It provides new educational model, based on the variability of the practice, able to adapt to the characteristics and needs of every child, even those with mobility difficulties. The four pillars on which the method rests are: physical efficiency; motor coordination; cognitive functions and creativity; and life skills. The purpose of the method is to develop aware and active citizens by building their natural joy in movement.

This innovative training initiative was developed by Kinder + Sport Joy of Moving in collaboration with the University of Rome "Foro Italico", Coni and MIUR Piemonte, following three years of experimentation and research in 36 school classes in Alba (CN).

It represents the most effective and fruitful legacy of Expo Milano 2015, at which the Joy of Moving was tested by over 100,000 children who visited and participated in the activities promoted in the Kinder + Sport Pavilion.



KINDER+SPORT

CONTINUED



Games from the Joy of Moving Method

The method

The Joy of Moving represents and constitutes an innovative theoretical and practical approach. It is an original educational model developed for children between five and 12 years of age, based on movement oriented towards motor and cognitive development even in the presence of disability.

Rediscovering the function of motor sports allows children to learn through their natural and spontaneous language. It enables them to participate in motor activity without the anxieties that some children experience during competitive sporting practice.

The "pillars" of the Joy of Moving method (physical efficiency, motor coordination, cognitive creativity, life skills) make it possible to use other disciplines within the curricular hours of physical education and to make active and participated citizenship education effective. The method always starts and grows out of the needs and specific characteristics of each child.

The manual

The way in which the method works, its methodology and techniques, are explained in a manual – The Joy of Moving manual. Movements & Imagination. Playing with variability to promote motor, cognitive and citizen development (Calzetti Mariucci Editore 2015 curated by Caterina Pesce, Rosalba Marchetti, Anna Motta and Mario Bellucci).

The manual is divided into two parts. The first explains and describes the conceptual and theoretical system underpinning the method. The second explains it simply through 80 printed cards that suggest 80 different games, categorized according to the predominant skills that the method aspires to develop; each card is suitable to be practiced by children during the hours of physical education activities in Primary Schools.

The manual is also available in Italian, English and German, because the method has been exported and is being tested in several countries. The "variability of the practice" or the possibility of creating a large number of variations and adaptations to each product game, which distinguishes Joy of Moving, makes the methodological approach particularly suitable for all socio-cultural contexts. It allows participants overcome barriers and borders thanks to joy and movement.



The cards explaining each game are enriched by video tutorials, available on a website at www.joyofmovinghandbook.com



The way in which the method works, its methodology and techniques, are explained in a manual – The Joy of Moving manual



Expo legacy

The Living the Joy of Moving project really started with the signing of the memorandum of understanding n.40, dated December 11th, 2015 and stipulated between MIUR, CONI, Kinder + Sport Ferrero SpA, in order to enhance the results achieved by the collaboration on the occasion of "Expo Milano 2015" and to develop "good practices for education to the correct lifestyles in the school" the Kinder + Sport Joy of Moving program was able to enter the Italian school for the first time.

During the 2016/2017 school year, 1,000 primary schools that had visited Expo participated in the educational play project Vivi la Joy of Moving. This initiative has allowed us to test the educational approach of the method and its adaptability, feasibility and replicability within the Italian public school context. Participation in the initiative allowed three institutions to win a free training course on the method (the selection was made with the All in Game merit contest).

During the 2017/2018 school year, the Living the Joy of Moving project was extended to kindergartens, in addition to a total of about 100 institutes of primary and secondary schools already directly involved in the validating of the methodology on a national scale in partnership with the Ministry of Education, Universities and Research.

VILLAGE LAB AS A RESEARCH CENTER AND INNOVATION LAB

The Village Lab of Alba is a cutting-edge sports research center for motoring innovation and teaching.

It has become an educational-motor model, not only for its 3,000 regular weekly visitors (children and adults from the local area) but also as an inspiration for the other countries that are joining the Kinder + Sport Joy of Moving program.

Through many initiatives, such as the Summer Day Camp, the September School Game, the Multisport, the Sport Schools, the Village + Sport model can be easily exported to, and replicated in, other cultures and latitudes.

In 2017, the Kinder + Sport Joy of Moving program reached Australia, which was a very important milestone for us. Thanks to the signing of a memorandum of understanding between Ferrero Australia and Deakin University in Melbourne from 2018, a research program based on the experimentation of the Joy of Moving method will soon be conducted in Australian primary schools.

The Joy of Moving program will be evaluated for its effectiveness in involving children in physical activity, in improving their physical fitness, and for its potential to improve motor, social and cognitive functions.



Primary schools encouraged by The Expo to participate in Vivi la Joy of Moving

1,000

Research in Australia: the first international collaboration, which aims to consolidate the international validation of research underlying the Joy of Moving method.



Signing of the Ferrero and Deakin University Agreement



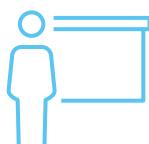
KINDER+SPORT

CONTINUED





Day Camp –
Village+Sport Alba



**Number of classes
from where data
were collected in
the 2016/2017
school year**

7

Village LAB Alba: promoter of new research related to multisport

The Joy of Moving method promotes the individual development of each child through multiple objectives (the so-called "whole-child" development).

To verify and analyze in the long term the effectiveness of the method, through the Kinder + Sport Joy of Moving program, we have entrusted the Department of Sciences of the Human Movement and Sport of the University of Rome "Foro Italico". The department will carry out a research project "Diversification in educational sports: intervention study on the effectiveness of multi-sport Physical Education".

The sample group of this research is formed by half of the 16 classes in Alba schools that are participating – about 500 children in all. These classes are participating in the multi-sporting Physical Education program after being part of the first experimentation of the Joy of Moving model; the other half of the sample group is made up of classes that have undergone a three-year period of traditional Physical Education.

In order to complete the crossover design, two subgroups of control classes were created that did not carry out any multi-sport program or participated in the Physical Education project with the "Joy" method in the previous three years.

In the 2016/2017 school year, data was collected from seven classes (four experimental and three control). In the year 2017/2018, the second year of intervention and data collection, analysis of four experimental and four control classes is being completed. The results of the research will be available by December 2018.

The idea stems from our desire to promote the practice of physical activity in a healthy and fun way, organizing a program in which parents can meet two different needs: doing activities with their children, but also cultivating their own spaces.

Sundays at the Village

The "Domenica al Village" in Alba is a free monthly event for all the families in the area, at which children and their parents spend an afternoon with the Kinder + Sport Joy of Moving program.

The idea stems from our desire to promote the practice of physical activity in a healthy and fun way, organizing a program in which parents can meet two different needs: doing activities with their children, but also cultivating their own spaces.

The monthly events are divided into two parts. The first offers an opportunity for inclusiveness, during which parents and children can complete guided motor activities together. During the second part of the event, specific activities dedicated to parents are organized in parallel (for example, fitness classes such as Step and Pilates, or others accompanied by music such as Latin Fit Dance), while the children follow a path with their instructors that includes several stations with laboratories and sports activities that are always new and stimulating. The events run in 2017 confirmed children and parents' appreciation of this format, which also included some local sports teams that gave demonstrations, played and interacted with the children to explain their specialist sporting skills.

Summer camp experience

Since 2012, the Day Camp – a multisport, multidisciplinary summer camp – has been an unmissable event at the Village Lab in Alba. It offers boys and girls from five to 12 years, the opportunity to gain experiences focused on outdoor movement and have fun with the Joy of Moving method. Its continuity means the Summer Camp provides valuable support for families who continue to work during the months of June and July.

The initiative's success comes from its focus on the Joy of Moving method, which places strong weight on the socializing dimension and relational aspects. This model has been successfully exported to India, France and Luxembourg. The Summer Camp's programming is constantly evolving and during the summer of 2017 it introduced some new activities, such as skateboarding in June and new laboratories including science and chess, which provided the best preparation for the children's return to school in September.



KINDER+SPORT

CONTINUED



Number of children
that experimented
with the Kinder + Sport
Joy of Moving method
at The Summer Camp
in France

6,000+

India

Since 2015, Alba Village trainers in India have run the Baramati Summer Camp for children aged five to 12 years. Their goal is to spread the culture of sport and promote personal growth through the Kinder + Sport Joy of Moving program.

In 2017, during the Baramati Summer Camp, training was provided for new Indian instructors on the methodology, to allow more camps to be run in future. The Camp also provided an opportunity to run a teambuilding exercise for local Ferrero employees, based on the Joy of Moving activities, which gave them the chance to experience the method for themselves and for it to be extended to their Pune headquarters and to Baramati.

France

The Summer Camp in France takes place in the multi-sports center of excellence in Temple-sur-Lot, in the south-east of the country. Here, more than 6,000 children between the ages of eight and 12 have experimented with the Kinder + Sport Joy of Moving method, supported by the Secours Populaire Français – a non-profit association.

This is an extraordinary collaboration between the Alba Village trainers and their French colleagues: a success that demonstrates the effectiveness of sharing experiences.

In 2017, the second year in which the Village trainers were present at the French Summer Camp, a short specific training on the Joy of Moving Method was organized for the team of trainers at the sports center a few kilometers from Bordeaux.

Kinder+Sport Joy
of Moving Camp in
Luxembourg



Luxembourg

The first Luxembourg edition of Joy Of Moving Summer Camp 2017 took place in July, replicating project the well-established and appreciated Summer Camp model that takes place every year in the Village + Sport in Alba.

The Luxembourg summer camp was enriched by a location immersion in nature, in "La Ferme de la Géronne". Its program skilfully alternated sports activities and games characterized by the Joy Of Moving methodology, including fencing, football, archery, athletics, dance and JOM games along with, manual, educational and scientific laboratories, including Chess Course, Flash Cups (a discipline born in America which involves coordination, speed, fine motor skills and concentration), Laboratory of Sciences, Juggling workshops, Magic Laboratory and Laboratory of Creating the Game (organized to teach children to use common and recycled materials to design and build simple fun games with which to have fun or useful items):

At the same time, children also participated in organized activities to explore nature and meet animals on the farm. They ended each day with group games, quizzes, shows, experiments and walks organized by trainers of the Village.

At the end of the week the Olympics were held. Every child's personal records in the various training activities were recorded and they received Participation Diplomas along with the materials they'd made for themselves during the week.



"Vivi la Joy of Moving"
project in Italy

THE KINDER + SPORT JOY OF MOVING PROGRAM FOR EMPLOYEES

When the Ferrero Group celebrated its 70th anniversary in 2016, the Kinder + Sport program Joy of Moving launched an original and unique format: the Kinder + Sport Joy of Moving Day. The model has proved a particularly useful way to bring together all our different Business Units to focus on the most positive side of the movement: the ability to entertain and excite people.

Thanks to this formula, the movement has become a popular way for people to come together. The Kinder + Sport proposal Joy of Moving Day introduces children and adults to the positive side of sport: fun, games and friendship. Its success convinced some countries to replicated the event in 2017 and in years to come.

Germany

On Saturday and Sunday September 24th and 25th, 2017, nearly 12,000 employees, family members and friends came to celebrate Ferrero's 70th anniversary at the Herrenwald Stadium in Stadtallendorf. The entire sports field offered a wide range of Kinder+Sport activities. On stage, Kinder+Sport ambassadors and former Olympic athletes Britta Steffen (swimmer), Frank Busemann (decathlete) and Henning Harnisch (basketballer) shared their sports experience and then joined hundreds of employees' children to improve their basketball skills at the Kinder+Sport Basketball Academy.

In different Kinder+Sport sections, children also enjoyed playing soccer, table tennis, and volleyball and explored the climbing wall. For many, the highlights were the extended foosball table and the bubble soccer area. Kinder+Sport used the opportunity to motivate the extended family of Ferrero to increase levels of physical activity in their daily routine. Hundreds of enthusiastic participants are evidence of its success.



KINDER+SPORT

CONTINUED

Italy

On Sunday September 11th, Ferrero's employees and their families and friends shared an exceptional day at the Village + Sport in Alba to celebrate Ferrero's birthday – under the banner of Kinder + Sport Joy of Moving. In Alba, a series of celebrations for the 70-year-old Ferrero began, which in the weeks up until November brought the Kinder + Sport project to various Business Units.

A special party needs equally special guests and Carlton Myers former basketball player, Fiona May long jump champion and Massimiliano Rosolino swimming champion, were all our guests at the Kinder + Sport Day. These three champions and three very different personalities, enchanted those present and also got involved in challenges, games and photographs. The stage was animated by several dance performances, freestyle basketball and a popular public zumba session.

Monaco

To celebrate our 70th anniversary, our colleagues in Monaco ran their own Kinder + Sport Day. On Sunday November 13rd, 120 employees and their extended families formed a single team: the Kinder + Sport team, under the leadership of Marco Di Costanzo, canoeist and gold medalist at the Rio Olympics.

A fun day, dedicated to the promotion of movement and active lifestyles, was made even more meaningful by an extra element: solidarity. Ferrerians took part in a charity run – No Finish Line, an event for both sportsmen and amateurs where every kilometer run raised €1 for "Children&Future".

The Kinder + Sport team ran for nearly 2,000 kilometers, but the highlight of the day was the first round of the circuit, when adults and young people, parents and children, colleagues and friends ran together, in the spirit of Joy of Moving.

Luxembourg

In Luxembourg, more than 600 participants in a Kinder + Sport Day visited our offices then moved on to the Fédération Luxembourgeoise de Football, the courteous hosts of the event. After lunch, all the guests were specially kitted-out for games and activities, to continue the celebration.



Ferrero's 70th anniversary in Stadtallendorf,



Ferrero's 70th anniversary in Luxembourg



Ferrero's 70th anniversary in Monaco



Older and younger people, parents and children, friends and colleagues – all took part in the activities listed in the program and watched the lively shows on stage.

Freestylers showed their amazing football and basketball moves and were the captains of the two rival teams, Team Joy and Team Moving, motivating and encouraging everyone.

The dancing crews choreographed many group activities and ran entertaining Zumba lessons. Meanwhile, our event hosts, Fabrizio D'Alessio, Sofia Vigliar and Paul Bernardini captivated the audience by commenting on game highlights and involving everyone in practical jokes, challenges and photo opportunities.

The day featured quizzes about sport celebrities, football, basketball, bubble soccer and even Crazy Boats – remote-controlled little boats steered on an enchanting little lake. The youngest children had fun with Multisport and Challenge activities, under the guidance of expert trainers from the Kinder + Sport Village in Alba.

Many children were able to experience the Joy of Moving Method during this event, with a focus on the Multisport and Challenge Areas.

A CONTINUING MOVEMENT PROGRAM IN THE WORLD

Our International collaboration with ISF continues

The successful collaboration between Kinder + Sport Joy of Moving and the International School Sport Federation (ISF) continued throughout 2017. Our shared values and understanding that sport and movement are absolutely necessary for the education of children inspires both of us to establish and promote global events for students together.

The ISF was founded in 1972 with the aim of creating greater opportunities for growth and social interactions between teenagers thanks to sport. The ISF is recognized by the International Olympic Committee (CIO), and is active all over the world. Every year ISF runs a calendar of around 10 to 15 events involving sports in different countries. In 2017, these activities included tennis, educational games, swimming, orienteering, basketball, football, beach volleyball, triathlon, badminton and athletics. Each sport was hosted in different country, with events held in Brazil, Greece, Hungary, Italy, Croatia, France, India and Polynesia.



Year when the International School Sport Federation (ISF) was founded

1972

Our shared of values and understanding that sport and movement are absolutely necessary for the education of children inspires both of us to establish and promote global events for students together.





KINDER+SPORT

CONTINUED

INTERNATIONAL TROPHIES

KINDER + SPORT JOY OF MOVING TENNIS TROPHY

The Kinder + Sport Joy of Moving Tennis Trophy is the most tangible and positive testimony to the success of the Kinder + Sport Joy of Moving program.

Between spring and summer 2017, around 1,000 boys and girls aged nine to 16 years were engaged in an extraordinary international competition, involving 148 stages in Italy and 20 tournaments in eight European countries: Austria, Bulgaria, Germany, Israel, Luxembourg, Malta, Principality of Monaco and Hungary.

All the games were played without an umpire, under the banner of fair play, shared rules and respect. Each player signed a pledge – a text expressing the rules valid for each sport – and committed to respect it. This pledge is shown below.

This exciting international tennis circuit was created in 2006, building on an idea devised by tennis player Rita Grande, former blue champion, to encourage active lifestyles and spread a love of tennis with new generations. Today, it is organized by Sport Events in collaboration with the Italian Tennis Federation and Kinder + Sport Joy of Moving.

“

I commit myself to saying well done to my opponent when he makes a winning point. Not to cheer or gloat when my opponent makes a mistake. Do not steal a point and do not throw down your racket. To thank and shake hands with the opponent at the end of the meeting. My relatives and my coach commit themselves not to intervene during the game. To accept the decisions of the referees and the sports judges, knowing that, like me, they are entitled to make an error, but they do everything to avoid it.”

The Kinder + Sport Joy of Moving Tennis Trophy pledge



The Kinder + Sport Joy of Moving Tennis was created in

2006

Kinder+Sport Joy of Moving tennis trophy in Rome







KINDER+SPORT

CONTINUED





Children and teenagers participating to the Skiri Trophy 2017



Children and teenagers, aged eight to 16 participating at the Skiri Trophy XCountry 2017

1,100+



Sports, especially in a young age, must be both a game and a school of life."

Franco Nones
Gold medalist in Grenoble 1968

In Italy, where it was promoted by the local BU, the first edition in 2006 featured 28 tournaments and 3,000 participants. Since then it has grown year-by-year, with the eleventh edition in 2016 comprising 141 tournaments in 19 regions of Italy and over 18,000 participants.

The 2017 edition ended in Rome with an International Master held from August 22nd to 30th. On this occasion, 1,345 players from nine nations, winners and finalists of the stages of the circuit, competed in the fields of the Foro Italico – enjoying tennis together in the name of fun and integration.

SKIRI TROPHY XCOUNTRY

Over 1,100 children and teenagers, aged eight to 16, from eight different countries and representing 110 sports associations challenged each other during two days of fun and competition at the Skiri Trophy XCountry 2017 – formerly known as the Topolino Cross Country Skiing Trophy. This is a key international event for young cross-country skiers, which Kinder + Sport Joy of Moving supports with great enthusiasm. Physical movement, learning, integration and friendship are some of the common values that brought the Skiri Trophy and Kinder + Sport together for the first time.

Now in its 34th edition, the former Trofeo Topolino was launched in 1983 by the Gruppo Sportivo Castello di Fiemme to provide a friendly cross-country skiing event for junior athletes. Four categories race following classic cross-country rules: Baby (ages eight to nine), Cuccioli (10 to 11), Ragazzi (12 to 13) and Allievi (over 13).

The Trophy, which can truly be considered an open junior world championship, is certified by the Italian Ski Federation and attracts some of the greatest international names in cross-country skiing, making each edition a sporting feast of passion and solidarity.

This year, special attention was paid to events off the course, to keep the young competitors entertained and relaxed throughout their stay. The Kinder + Sport Joy of Moving stand contributed to make this a reality.

The organizers, led by Nicoletta Nones, herself a past winner, were extremely satisfied with the 2017 edition: "Our goal", she said, "is to bring here boys and girls from different countries to share their passion, fun, entertainment and respect for others".

Franco Nones, Gold medalist in Grenoble 1968 and first Italian gold medalist in this sport, added that "Sports, especially in a young age, must be both a game and a school of life". A perfect match for the Kinder + Sport spirit.



Our goal is to bring here boys and girls from different countries to share their passion, fun, entertainment and respect for others."

Nicoletta Nones
Leading organizer



KINDER+SPORT

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OPTIMIST MEETING DEL GARDA

During the Easter break in April 2017, 1,063 young helmsmen aged nine to 15 from over 30 nations (including Germany, Italy, Denmark, Sweden, Poland, Finland, Norway, Russia, Hungary and newcomers Puerto Rico and Thailand) attended the 35th Lake Garda Optimist Meeting.

A collaboration with Fraglia Vela Riva and the Associazione Italiana Classe Optimist gave life to this incredible event. Fraglia Vela Riva, in particular, demonstrated once again its organizational skills, building a unique synergy between the jury, race committee, race crew, and voluntary staff, whose work led to a successful event.

New for the 2017 edition was the “Joy of Moving Trophy for FAIR-PLAY” that was awarded in every category: a recognition of those who distinguished themselves with a fair and loyal gesture to one or more adversaries. Already featured in the 2012 Guinness World Records, the 35th edition of the Lake Garda Optimist Meeting also broke the certified record for the world’s largest regatta in one single sailing class.



Meeting del Garda
2017 – Opening
parade



Meeting del Garda –
The world largest single
class regatta



Expo Sport e Salute
2017 in Turin



Number of children
involved in many
different sports
at the The National
Sports Day

450,000



KINDER + SPORT JOY OF MOVING IN ITALY

Kinder + Sport Joy of Moving Italy has brought continuity to youth sport promotion through the maintenance of active partnerships with CONI and some Federations (volleyball, soccer, swimming, fencing, sailing, rowing, tennis, badminton).

Kinder + Sport Joy of Moving Italy in numbers

- 1.2 million young people aged between six and 19 joined in basic sports and competitive sports;
- 160 final competitive and non-competitive events supported across the country;
- 100 Kinder + Sport Joy of Moving days, involving a team and village dedicated to promoting the project;
- Eight great sporting champions who help us to spread our values: Andrea Lucchetta, Carlton Myers, Massimiliano Rosolino, Valerio Aspromonte, Fiona May, Alessandra Sensini, Marco Di Costanzo and Rita Grande.

Kinder + Sport Joy of Moving Italy projects

Kinder + Sport Joy of Moving Italy is based on six projects aimed at schools and promoted by the federations.

CONI (Comitato Olimpico Nazionale Italiano)

The collaboration with the National Olympic Committee has seen the activation of new projects related to youth promotion that will be fully developed in 2018, with the introduction of the Joy of Moving method into territorial initiatives involving start-up sports (Coni Centers and Educamp).

The National Sports Day, held on the first Sunday of June, represented the moment in which the whole country, with more than 100 cities involved, mobilized children and families to promote sports. This was a day on which over 450,000 children got involved in many different sports.

The Concierge Kinder + Sport Joy of Moving Trophy, involved over 60,000 youngsters between 11 and 13 years of age across the country, who participated in more than 50 sporting disciplines. This annual event is the showcase and the highest expression of youth sports promotion run by the Italian sports institution.

FIPAV (Federazione Italiana Pallavolo)

Volley "S3" Kinder + Sport Joy of Moving is a school project run by the Volleyball Federation. It was created thanks to a collaboration between Andrea Lucchetta and Kinder + Sport Joy of Moving. Now in its third edition, it has grown to involve more than 1,100 schools and 360,000 young people in the eight-12 age bracket. Volley S3 Kinder + Sport The Joy of Moving has brought demonstration activities into five squares and with the support of the State Police has expanding its range of action.

Volley S3 includes game formulas suitable for primary school and secondary school children, which involve everyone in a simple, dynamic and fun way. The central idea is to concentrate energy and attention on strong values such as sport, team and health, which are combined with technique, organization and communication.



KINDER+SPORT

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FIGC (Federazione Gioco Calcio)

In 2016, the collaboration between Kinder + Sport Joy of Moving and the FIGC Youth School kicked off – with support from the Federation for an important redevelopment project for the entire youth sector and the development of the Territorial Federal Centers. CFTs are structures in which boys and girls between the ages of 13 and 15 follow weekly programs of improvement – covering technical and personal development. The children work with teams of experts who aim not only to improve the technical aspects of the game but to also equip the children with knowledge about nutritional and psychological aspects. The Program involves parents on many occasions. In 2017 there were about 25 federal centers with a plan to create about 200 across the country.

FIV (Federazione Italiana Vela)

“Velascuola” is a national educational project conceived and realized by FIV, in collaboration with the MIUR, to promote nautical culture in schools and encourage respect for the environment. The project runs sailing lessons in which federal instructors intervene to support normal school activities related to nautical activities.

The project runs in the partnership with Kinder + Sport Joy of Moving and through the distribution of educational manuals and the activation of workshops and practical start lessons to sailing activities last year involved 500 schools, 180 clubs and 44,000 students.

Kinder + Sport Joy of Moving works with FIV to run competitive events and special initiatives such as Vela Day and Sailing Schools.



2017 football
federal centers

25

with a plan to create
about 200 across
the country



Students involved
in “Velascuola” project

44,000

Children greeting each
other at the FIGC
Football Federal Centers







KINDER+SPORT

CONTINUED

KINDER + SPORT JOY OF MOVING IN ARGENTINA

Kinder + Sport has been active in Argentina since 2014 – promoting the “Joy of Moving” among children and their families.

This year, we continued our collaboration and partnership with Argentinean Volleyball Federation (FEVA) and Metropolitan Handball Federation (FEMEBAL). Kinder + Sport sponsored three all-day sport events at Instituto Nacional de Educación Física (ISEF) and Centro Nacional de Alto Rendimiento Deportivo (CENARD) involving children from public and private schools. We also collaborated with the “Juegos Porteños” of Buenos Aires City, providing them with referees for sporting events.

Thanks to public contributions, we were able to work with to needy children from disadvantaged neighborhoods. We provided sporting equipment and ran Hockey clinics involving our Kinder + Sport’s Ambassador, Jorgelina Bertoni (former Female Hockey World Champion).

In the academic area, Kinder + Sport concluded a collaboration agreement with Instituto Nacional de Educación Física (ISEF) and its permanent education department (EPISEF) under the certification of International Federation of Physical Activity (FIEP) and International Sport and Culture Association (ISCA). This collaboration will carry out research to assess the importance and impact of sport practice in early years as a key tool in the fight against sedentary lifestyle. By 2016/2017, Joy of Moving had positively affected almost 80,000 children and their families in Argentina.



Children and their families in Argentina affected positively by Joy of Moving in 2016/2017

80,000



Kinder+Sport Joy of Moving public contributions in Club Rodrigo Bueno, Argentina



KINDER + SPORT JOY OF MOVING IN POLAND

A Kinder + Sport program has been running in Poland since 2008, and every year it involves more and more children and their families in the Joy of Moving idea. Currently, three sports disciplines are being supported by the Program – volleyball, swimming and sailing. All sports events within Kinder + Sport calendar are carried out in cooperation with selected sports federations and benefit from the honorary patronage of the Ministry of Sport and Tourism. It is worth noting that Polish former sports champions, like Sebastian Swiderski, Piotr Gruszka and Paweł Korzeniowski are actively involved in the program. Acting as the ambassadors of Kinder + Sport, they set an example for young generations and inspire them to follow an active lifestyle. Over 80.000 children aged four to six years were involved in 2016/2017, which is 33% of all the children in this age group in Poland.



Kinder+Sport Joy of Moving Mini volleyball tournament for children in Poland

KINDER + SPORT JOY OF MOVING IN FRANCE

Kinder + Sport and the French Basketball Federation: a fruitful partnership

Last year, Kinder + Sport celebrated 10 years of partnership with the French Basketball Federation (FFBB). During this period, the two partners have devised several projects to support and improve young people's access to sport. Thousands of sports clubs across France receive useful promotional that helps them to diversify the activities they offer.

The strong ties between Kinder + Sport and the French Basketball Federation (FFBB), our values and common vision, have allowed us to launch an initiative aimed at more than 100,000 young people each year. In fact, since 2014, the "Kinder + Sport Basket Day" organized in more than 1,000 French basketball clubs has offered all young members the chance to invite a friend during a day to discover the pleasure of basketball.

Thanks to this success and as part of the development of the Kinder + Sport program, the France BU has started a collaboration with two other sports federations: the athletics (FFA) and the Handball (FFH) with which Kinder + Sport Joy of Moving now organizes the same similar events

KINDER + SPORT JOY OF MOVING IN GERMANY

In 2011, the Kinder + Sport Basketball Academy was launched in Germany to animate and motivate kids aged six years and above, to learn and improve their basketball skills on an innovative training course. Since then, its activities have grown steadily and are now the official youth program of the German Basketball League. This collaboration covers all of Germany, ensuring that children and youths can take part in numerous test days with more than half of the German Basketball Bundesliga teams. In the financial year 2016/2017, the Kinder + Sport Basketball Academy involved more than 55.000 kids in over 200 events. The German basketball legend and winner of the 1993 Basketball European Championship, Henning Harnisch acts as ambassador for the program.



Highlight 1: German Basketball League cup TOP FOUR in Berlin

In 2017, a major German basketball event took place at the Mercedes-Benz Arena in Berlin, with over 20,000 attendees, at which Kinder + Sport Germany organized an unforgettable event for kids. In cooperation with the professional basketball club ALBA BERLIN, kids had the chance to meet the Kinder + Sport ambassador Hanning Harnisch as well as former famous professional basketball players. At half-time during the professional basketball game, ALBA BERLIN vs. Bayern Munich, Kinder + Sport ran an incredible basketball competition, featuring two kids teams live on court. Kinder + Sport also involved hundreds of other children throughout the day.

Number of French basketball clubs where the "Kinder + Sport Basket Day" took place since 2014

1,000+



KINDER+SPORT

CONTINUED





Basketball Academy
project in Germany



**Employees inspired
to adopt active and
balance lifestyle**

3,000

KINDER + SPORT JOY OF MOVING IN THE NETHERLANDS

During the Dutch Week of Sport in 2017, Ferrero Netherlands and the Dutch Olympic Committee NOC*NSF launched the first Joy of Moving lane in the Netherlands, involving many primary school children. They were joined by the Olympic Gold medalist (Water Polo Beijing 2008), Mieke Cabout and former speed skater champion Annamarie Thomas. The Joy of Moving experience provides a central space in or outside the school in which children are invited to move in a very natural and fun way.

Many schools worldwide have a policy that prohibits children from running inside schools and so did the Tovshojskolen school in Denmark. But as children like to run by nature, they often ignore this and run nonetheless. The school staff observed this and came up with a solution: a running lane. They drew a line in the school hallway. On one side of the hallway children can only walk, on the other side they have to run.

The interesting thing is that the children who ran actually had more energy and joy when they entered the classroom and were also able to concentrate and focus better. For some of them, running inside school even led to better academic results.

Co-creation with children

The children of Het Noorderlicht are very excited that they are the first primary school in the Netherlands to have a Joy of Moving running lane. The running lane, installed in September, symbolizes what is coming soon, as it will be replaced by a Joy of Moving lane tailor-made for this school. To ensure that the Joy of Moving lane fully meets the wishes and needs of the children, and therefore increases the chance that they will use it as much as possible, a group of school children will be part of the project team and work with the experts to design "their" Joy of Moving lane.

The ambition of Ferrero and NOC*NSF over the coming years is to feature at least one Joy of Moving lane in each "Dutch Week of Sport" municipality.



Joy of Moving lane in the Netherlands

KINDER + SPORT JOY OF MOVING IN UK

In the United Kingdom, Kinder + Sport continues to grow every year. The flagship CSR project is + Sport Move & Learn, a national schools program for children aged nine to ten, which prioritizes areas with high levels of childhood inactivity. Developed in partnership with the English Football League Trust in England, and its counterparts in Scotland and Ireland, this quality initiative is delivered over the course of six weeks.

Children spend 45 minutes in the classroom learning about the body, nutrition and the importance of exercise, then 45 minutes enjoying physical exercise playing football, dodgeball or handball. In 2016/2017, + Sport Move & Learn was delivered to 42,607 children across the UK and Ireland. The Joy of Moving concept by global trainers of the concept to educate and inspire over 50 UK trainers to use within the program.

In addition, the UK BU has run two CSR competitions, which reach children across the country. The Kids & Girls Cup is a national competition, enabling Kinder + Sport to reach 22,400 children in 2016/2017, with the final offering children the once-in-a-lifetime opportunity to play at Wembley stadium. In addition, the national Kinder + Sport Futsal Cup gives teenagers the chance to enjoy a new sport loved by footballers worldwide, and reached 2,790 teenagers in 2016/2017.

The Kinder + Sport employee program was expanded to cover both sites in Greenford and Alfreton, inspiring over 3,000 employees to adopt active and balanced lifestyles. Both locations feature on-site fitness activities and provide free fruit. Kinder + Sport family days were also run, involving more than 1,000 employees.



OUR VALUE CHAIN

Our approach to achieving sustainable growth involves our entire value chain, which we categorize into the following stages:

- Create: developing packaging that ensures great taste and a superior product experience.
- Choose: sourcing the best ingredients, sustainably.
- Make: managing our operations efficiently.
- Store and Deliver: storing and transporting raw materials to our factories, and finished products to our clients, as efficiently and sustainably as possible.
- You: engaging our consumers to minimize the impact of our products after consumption.

Sustainability has become a key component and we work with a vision of "Sharing Values to Create Value". We build direct long-term commercial relationships with producers and suppliers of raw materials, based on a shared commitment to sustainable values, dialogue and transparency.

Create	118
Choose	126
Make	168
Store and Deliver	179
You	181



For more information visit:
www.ferreroCSR.com





1. CREATE

All of the sustainability initiatives we have launched over many years support one overarching goal: achieving sustainable growth that benefits all of our stakeholders and our planet.

We have always focused as much attention on our supply chains as on our own factories. Our "Sacco conosciuto" approach enables us to ensure the quality and traceability of our raw materials, while direct initiatives in our operations and engagement with our suppliers have prepared the ground for effective sustainability programs and practices.

We strive to use and preserve a number of key resources – including water, energy and biodiversity – responsibly and efficiently. Our integrated approach allows us to transform the environmental challenges we face into opportunities for sustainable improvement.

The following pages explain our approach to sustainable resource management today and our plans for the future. They show that all our stakeholders can contribute to make a positive difference.

PACKAGING

The taste of a newly made product is something truly special. Our packaging is designed to preserve flavor, freshness and quality throughout the distribution chain, guaranteeing our consumers can enjoy this amazing experience. Before arriving in their homes, several steps have been taken:

Starting with the requirements of each specific food product the correct choice of material, shape and dimensions of each single packaging piece is defined. Every product presents specific packaging challenges.

These challenges include protection from light, odor, moisture, as well as mechanical protection together with the right shelf-life time and best portion for consumption, considering each packaging material's technical characteristics and performances, and the complexity of packaging waste management scenarios. Our packagings are always based on a clear understanding of need.

The packaging is then adapted to be manufactured in our plants: it has to be suitable for existing equipment, minimization of manufacturing waste, feasibility of tooling and an easy filling process.

The packed product has to resist and maintain the necessary functionality during transportation from plants to warehouses and then onward around world.

It must be suitable for the logistics phase, compatible with our handling systems, protect its contents and easy to handle in our automated warehouses.

The packaging should satisfy all supply chain and consumer needs and expectations: unit size and convenience as well as ergonomics associated with handling, opening, reclosing, storing, but it has also legal fundamental rules to fulfil (easy readability ingredients, consumer assistance line, storing conditions, best before date..) and promotional information.

And we do this for every single pack!



Our packaging is designed to preserve flavor, freshness & quality guaranteeing our consumers can enjoy this amazing experience



THE PACKAGING CHALLENGE

How we ensure a great taste and product experience: our challenges





1. CREATE

CONTINUED

FERRERO PACKAGING DESIGN PRINCIPLES AND DEVELOPMENT

Packaging design starts with the desire to satisfy our consumers' expectations. Dedicated teams collaborate to develop solutions from idea through to reality. They follow three main packaging design principles:

- Ensuring product organoleptic quality and integrity in a correct portion: the main role of packaging is food quality protection and this is also done through a single-wrapped portion to ensure the best taste experience each time consumers eat our product.
- Use safe materials and the 5Rs strategy in packaging design: we choose and test all our materials according to regulations and guidelines in order to provide consumers with the best packaging solutions. Our policies and packaging guidelines are often more restrictive than local regulations. This ensures we offer products of the highest quality.
- Ensure coherence with our brand values through special shapes and materials: packaging is not only the envelope but also part of the product and it drives the consumer experience through its functional and aesthetic properties. Our iconic packs are famous and their designs are registered globally. Anyone will recognize our NUTELLA® jar, the golden aluminium wrap of FERRERO ROCHER or the TIC TAC box shape and sound.



Ferrero policies and packaging guidelines are often more restrictive than local regulations



Our iconic packs are famous and their designs are registered globally

Packaging design starts with the desire to satisfy our consumers' expectations. Dedicated teams collaborate to develop solutions from idea through to reality.

How we do this in practical terms? The phases of packaging development can be summarized as:

1. The consumer expectation
2. Idea generation
3. Technical feasibility analysis
4. Quality and production tests
5. Product packaging phase
6. Delivery to our consumers

1. THE CONSUMER EXPECTATION

Packaging is part of the product promise. Both for new products and for special occasion dedicated campaigns (Christmas, Valentine's Day, Ramadan), we know consumers' expectations around product taste but also consider other important inputs, such as local climate, cultural aspects, trends and market specificities.

- For a brand new product creation, packaging has to be coherent with the product message, taking into account iconicity, consumer experience, product protection needs.
- For special occasion product packaging we need to transfer messages and fulfill new trends or create unique consumer experiences.

2. IDEA GENERATION

Creativity works together with technical know-how: creative ideas come first (shapes, colors, drawings etc), these are then screened, also using the 5Rs approach and the best ones are transformed into design proposals (materials, technology etc).

CREATIVITY WORKS TOGETHER WITH TECHNICAL KNOW-HOW



Marketing brief

Packaging requirement input for designers: food protection, shelf life, sales channels, and product message.



THE 5RS IN ACTION ACROSS OUR PACKAGING LIFECYCLE

Ecodesign is a continuous improvement activity combining the 5Rs Strategy with support of LCA (Life Cycle Assessment) for benchmarking different pack options.

Last year we created successful packaging design experiences and contributions to improve the impact our packaging has on our resource consumption and transport system optimization.



Brainstorming

Contributors from different disciplines are involved: designers, sustainability consultants, equipment designers, graphic artists, chemists, lawyers, all bring their own specialities and skills to the task.



Packaging design proposals

The team work to define the most realistic ideas for projects to be placed on the market.



1. CREATE

CONTINUED

THE 5RS

Integrate the 5Rs into our
ecodesign approach

In the development and planning of our packaging,
we adopt what we define as the "5R Strategy",
aimed at achieving the very best in terms of quality
and freshness, while minimizing the quantity of
waste produced.

The 5R are the principles identified by Ferrero
as fundamental, which guide the design of our
packaging with a view to Ecodesign.





LAST YEAR 5RS EXAMPLES



Less plastic, more chocolate!

In France, Germany, Italy we tested a new design of the FERRERO ROCHER Easter egg: we removed the plastic base of the egg and made it of chocolate! The egg is self-standing and the base becomes part of the taste experience.



Continuous improvements

Continuous improvement means revisiting well established projects: we made several tests to run new lighter packaging on our lines and introduced them onto the market. With aluminum film thickness reduction for Babbo slitta in Poland plant we saved 25t of aluminum last year.

Also ESTATHÈ 1,5l pet bottle has been improved: our recyclable bottle weight has been improved with a yearly plastics saving of 107 tons!



Optimizing logistics

Pallet optimization achieved through two projects in our Alba plant is in line with the continuous improvement in our pack system: less material is used as well and less travel time required for trucks. Thanks to these optimizations we have reduced the number of trucks traveling on the streets, avoiding 110 trucks thanks to a redesign of the system.



Multi-purpose packaging

For Christmas campaigns in France, Italy and Germany we launched the "glass for Christmas" sharing experience: we chose glass as part of the praline packaging to allow consumers to reuse it as elegant sharing trays.

In our Chinese plant we design our industrial plastic trays to be reused for moving products from us to our local partners: it allows to save 30t plastic a year.





1. CREATE

CONTINUED

3. TECHNICAL FEASIBILITY ANALYSIS

Our development team involves different competencies in order to consider all relevant aspects:

- Chemists and materials experts to ensure food safety and protection.
- Packaging designers and engineers to design shapes, select technology and materials.
- Legal advisors for all compliance checks.
- Graphic designers for the branding and graphic layout on pack.
- Controllers for costs analysis.

Throughout several steps our choices take into account the challenges that our product will have to face during production, distribution, delivery to the store, the moment of purchase and the consumption experience. It's not an easy journey.

4. QUALITY AND PRODUCTION TESTS

Once we have identified a solution that best fits all the requirements and challenges, we proceed with quality tests to ensure that our mission to provide consumers with best taste and freshness for longer is assured. Our packaging plays a key role in preserving the freshness of our products and ensuring shelf life. It provides a real shield that protects against adverse environmental conditions, from both a mechanical and physical point of view.

Have you ever experienced the taste difference between an unpacked food and a packed food after several days? They do not taste the same. This is the natural consequence of environmental conditions (humidity, oxygen, light) and external agents (odors, contamination from external sources) interfering with the product. These aspects lead to food waste and poor quality of food.

Our well-established technologies and longstanding know-how allow us to protect our special food formulation from adverse conditions, taking advantage of each packaging material characteristics in combination with the specific food ingredients. Some ingredients require more protection than others.

Nevertheless, our continuous improvement approach is always guiding us to look for new ways to minimize the amount of packaging without compromising food protection.

PACKAGING IS THE FOOD PROTECTION SHIELD





IMPORTANCE OF RIGHT PACKAGING FOR THE BEST ENJOYED EXPERIENCE: how different material allow to preserve product quality longer.



5. PRODUCT PACKAGING PHASE

Our packaging material is tested on our automated production lines to ensure that it's optimized to run with minimum waste of product and packaging. We have many projects looking at packaging waste reduction in plants, to reduce and maximise our scraps.

At our plant in Belsk, we recycle the KINDER JOY scraps to manufacture display feet and at our plant in Cork the reuse of scrap from recycled TIC TAC trays is now well established. This year we launched a new virtuous project with our suppliers to reuse commercial plastics trays in our Chinese plant. This saves approximately 30t plastic material/year.

6. DELIVERED TO CONSUMER

Once we are sure that consumers will be satisfied with our work, we deliver the packaged product to the market. The journey is still not finished. Our pack still needs to guarantee a shopping experience and journey home to reach consumers just as we designed it.



Our packaging material is tested on our automated production lines to ensure that it is optimized to run with minimum waste of product and packaging



2. CHOOSE

FERRERO SUSTAINABLE AGRICULTURAL PRACTICES

To source the best raw materials on the market, we have developed a deep understanding and knowledge of our ingredients: their origins and their transformational processes.

Now more than ever, sustainability has become a key component of this knowledge culture. We work with a vision of **“Sharing Values to Create Value”** and have always preferred to establish direct long-term commercial relationships with producers and suppliers of raw materials, based on dialog and transparency.

According to this vision, value is created not just from a commitment to a set of core values; it also implies the responsibility to share those values with all stakeholders inside and outside of our Group.

In particular, we care about the conditions that characterize the production of our supply chains' raw materials and we require all suppliers and collaborators to adhere to our Code of Business Conduct and to comply with our non-negotiable high standards. This ultimately will strengthen the partnership between all involved in our supply chain and increase transparency.

We acknowledge that raw materials are produced in rural areas, and that rural development is the real driver to help farmers, workers, and their families. For this reason, we also promote good agricultural and social practices according to internationally recognized standards.

To achieve our ambitions for sustainable supply chains, we have launched the Ferrero Farming Value (FFV) program under the Ferrero Agricultural Commitment to Sustainability (F-ACTS) framework.

Each tailored FFV program has specific objectives based on a 3-pillar approach: development of dedicated projects and partnerships; adoption of standards and certifications; institutional and collective engagements. Specifically, considering the complexity of the global sourcing activities, we recognize that a single player alone cannot transform a given supply chain into a sustainable one. The three pillars work in conjunction to complement each other, rather than operating in isolation: a series of actions and initiatives implement the 3-pillar approach.



We work with a vision
of “Sharing Values
to Create Value”

To achieve our ambitions for sustainable supply chains, we have launched the Ferrero Farming Value (FFV) program under the Ferrero Agricultural Commitment to Sustainability (F-ACTS) framework.



OUR 3-PILLAR APPROACH



All stakeholders along the value supply chain must work together to achieve a sustainable supply chain

THE 3 PILLARS



PROGRAMS	OBJECTIVES
FERRERO FARMING VALUES COCOA	By 2020 100% certified as sustainable
FERRERO FARMING VALUES PALM OIL	Since January 2015 100% sustainable certified RSPO as segregated
FERRERO FARMING VALUES HAZELNUTS	By 2020 100% traceable
FERRERO FARMING VALUES CANE SUGAR	By 2020 100% certified as sustainable
FERRERO FARMING VALUES EGGS	By 2025 100% of eggs from barn hens (100% for EU plants reached in September 2014)
FERRERO FARMING VALUES MILK	Pursue strict quality standards and monitor sustainability indices



2. CHOOSE

CONTINUED

COCOA		CERTIFIED COCOA		
PROGRAM	OBJECTIVE			
 FERRERO FARMING VALUES	By 2020 100% certified as sustainable	One of our key commitments towards building a sustainable agricultural supply chain is to source 100% certified cocoa beans by end of 2020. In FY 2016/2017, we consumed more than 130,000 tonnes of cocoa beans, of which 70% was certified as sustainable cocoa.		
Most of the world's cocoa is produced on small or family-run farms, in developing countries. Unlike industrialized agribusiness, small-scale farmers often rely on outdated farming practices with limited agricultural knowledge and resources. Farmers face significant challenges and encounter the complexities of economic, social and environmental issues, such as increased competition from other crops and lack of access to and knowledge of good agricultural practices.		Within the Fairtrade Sourcing Program terms, in 2013 we committed to buy 20,000 tonnes of cocoa by 2016. In 2016, we doubled the amount of cocoa we purchased from Fairtrade growers – bringing it to 40,000 tonnes over the next three years.		
To safeguard the future of the cocoa sector, we are committed to supporting and improving cocoa farming sustainability through the implementation of the Ferrero Farming Values Cocoa Program. Our program's approach is based on three key pillars: Certification, Institutional engagement and Project partnerships.				
COCOA CERTIFICATION ROADMAP				
 25%	 50%	 75%	 100%	 70%
August 2013	August 2016	End of 2018	End of 2020	FY 2016/2017



Currently, we source sustainable cocoa beans with the following certification standards: UTZ Certified, Rainforest Alliance Certified™ and Fairtrade.





2. CHOOSE

CONTINUED

To help achieve the 2020 sourcing goal, we collaborate with non-profit and farmer organizations to address agricultural, social, environmental and business issues in cocoa farming.

We also support on-going local projects to ensure sustainable cocoa production, whilst improving cocoa farmers' living conditions and the well-being of their communities. Below are some examples of these on-the-ground projects.

KEY NUMBERS 2016/2017 (IVORY COAST, GHANA & NIGERIA)

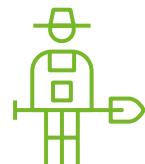
Commercial Partners	8
Co-ops and farmer organizations	22
Communities	615
Certified farmers	41,607
Certified female farmers	~ 18%
Certified farmers delivering	~ 60%
ha certified	137,713
ha mapped	48,375
Mt certified	91,215
Average ha/farmer	3.31
Cocoa nurseries	58
Seedlings distributed	429,514
Farmers provided with inputs	12,989

TRAININGS

Av. Training scheduled x Farmers	5
Av. Training attended x Farmers	3
Attendance rate	61%

CLMRS

Co-ops and farmer organizations with CLRMS	11
People sensitized on CL	3,627



Certified farmers
in Ivory Coast, Ghana
and Nigeria

41,607



Seedlings distributed
in Ivory Coast, Ghana
and Nigeria

429,514



FERRERO COLLECTIVE ENGAGEMENTS

INTERNATIONAL COCOA INITIATIVE



The International Cocoa Initiative (ICI) is a multi-stakeholder initiative promoting child protection in the cocoa sector operated in both Côte d'Ivoire and Ghana. The Strategy 2015–2020 is “Putting the future of children at heart of cocoa sustainability”, aiming at improving protection for one million children living in cocoa-growing communities by 2020.

The Strategy focuses on three pillars:

- Cocoa-growing communities are more protective of children and their rights.
- The cocoa supply chain manages the risk of child labor responsibly.
- Key stakeholders have improved awareness and knowledge to take appropriate decisions that strengthen child protection and mitigate child labor.



Children living in cocoa growing communities with increased protection by 2020

1 million

CHILD LABOR MONITORING AND REMEDIATION SYSTEM (CLMRS) RESULTS

	2016	2012-2016
Farmers' groups covered by the line system	50	90
Cocoa farming households covered	31,537	57,537
Communities reached with ICI's awareness-raising tools	523	1,375
Community awareness-raising sessions	3,025	10,069
Community members & farmers reached by awareness-raising	73,357	193,424
Supply chain actors trained	1,641	3,660
Number of children identified in child labor	930	6,065
Identified children assisted	1,089	4,680

WORLD COCOA FOUNDATION



WCF is an international membership organization that promotes a sustainable cocoa economy through economic, social and environmental development in cocoa-growing communities.

Its Vision is of a “Sustainable and thriving cocoa sector” – where:

- farmers prosper.
- cocoa-growing communities are empowered.
- human rights are respected.
- the environment is conserved.



2. CHOOSE

CONTINUED

CocoaAction

CocoaAction is a strategy that brings the world's leading cocoa and chocolate companies together to accelerate sustainability and improve the livelihoods of 300,000 cocoa farmers in Côte d'Ivoire and Ghana, by 2020.

In 2013, 10 companies involved in the cocoa supply chain, including suppliers and manufacturers, came together to create CocoaAction – a strategy through which they could align their individual sustainability strategies and objectives in ways that would benefit them, others in the cocoa sector and most importantly, cocoa farmers and their communities.

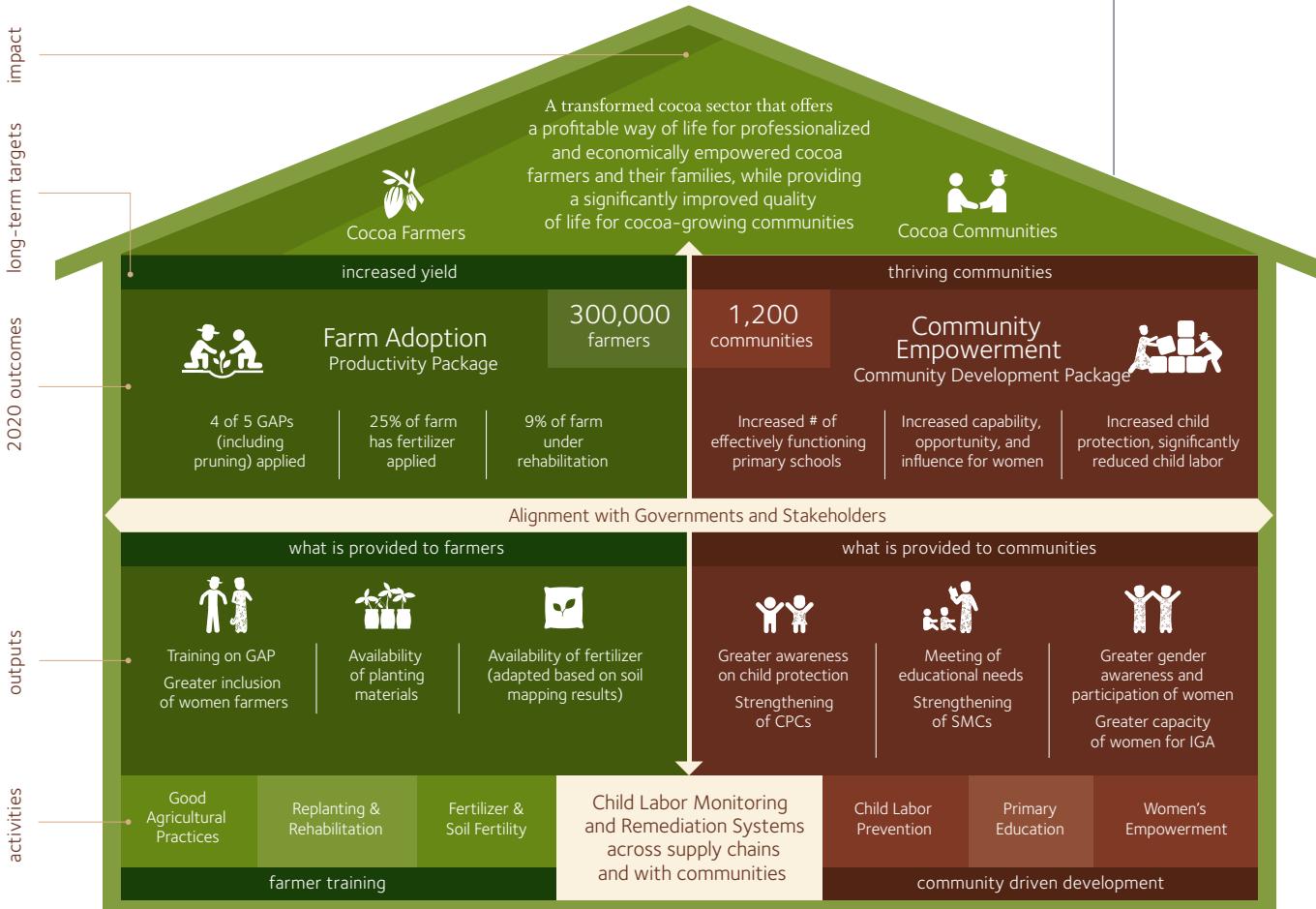
Today, CocoaAction unites the sector, governments, and other key stakeholders on regional priority issues in cocoa sustainability to align on complementary roles and responsibilities, leverage scale and efficiency through collaboration, and catalyze efforts to accelerate cocoa sustainability.

The World Cocoa Foundation (WCF) acts as the convener and strategy holder for CocoaAction, facilitating the implementation of this voluntary industry-wide strategy, driving alignment, and generating new insights to amplify its impact.



Companies involved in the cocoa supply chain that came together to create CocoaAction in 2013

10



Source: CocoaAction Annual Report 2016*



CocoaAction coordinates the sector on regional priority issues, enables scale through common interventions and results framework, shares best practices and failures through a collective learning culture, and works closely with Governments and key stakeholders.

CocoaAction's vision is a transformed cocoa sector that offers a profitable way of life for professionalized and economically empowered cocoa farmers and their families, while providing a significantly improved quality of life for cocoa-growing communities.

CocoaAction companies recognize that the sustainability challenges of the cocoa sector require swift action and a radically different approach. Therefore, CocoaAction was created with one fundamental principle at its heart: that members can achieve even more collectively, whilst still retaining the freedom to act individually. As a founding member of CocoaAction, we share the CocoaAction vision and strategy to accelerate sustainability in the cocoa sector.

Activities, targets, outputs, expected results and impacts are reported below.



2. CHOOSE

CONTINUED

PARTNERSHIPS WITH FAIRTRADE AND COOPERATIVE UNION ECOOKIM

The Union Des Sociétés Coopératives Kimbe (ECOOKIM) was founded in 2004 and consisted of six member cooperatives with a total of approximately 2.800 producers at that time.

To date, ECOOKIM union has grown substantially to include 23 member cooperatives and 11,800 producers in different parts of the country. ECOOKIM members mainly produce cocoa for export, but also coffee and cashew nuts for the national market.

ECOOKIM obtained Fairtrade certification in 2010 and subsequently obtained certifications from UTZ, Rainforest Alliance and Fairtrade USA. ECOOKIM assigned eight cooperatives and their cocoa volume to their partner Ferrero, namely:

We have sourced Fairtrade cocoa from the cooperative union ECOOKIM in Côte d'Ivoire since 2014. Ferrero and Fairtrade initiated a joint monitoring project and selected 18 key performance indicators with the objectives:

- to assess the progress of ECOOKIM with regards to cocoa farming and community development;
- to strengthen ECOOKIM's self-monitoring capacities;
- to support further social and sustainable development of the cocoa farming communities;
- and to contribute to a transparent and long-term partnership.



Selected key performance indicators by Ferrero and Fairtrade in a joint monitoring project

18





RESULTS OF THE SECOND MONITORING TERM 2016*



89%

OF THE PRODUCERS ARE
MORE THAN 30 YEARS OLD



8/23

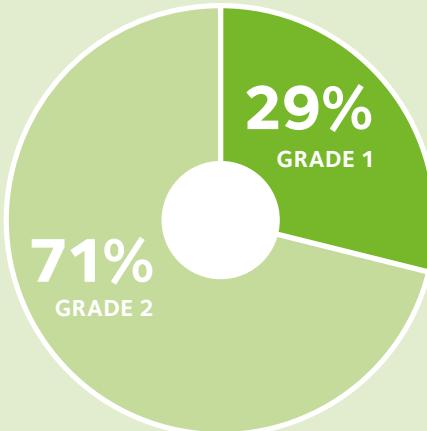
ECOOKIM COOPERATIVES
ARE ASSIGNED TO FERRERO

1 MORE THAN 2015



5/8

COOPERATIVES ARE
FAIRTRADE CERTIFIED FOR
MORE THAN 3 YEARS



COCOA QUALITY



5,988

PRODUCERS BELONG TO THE
8 COOPERATIVES REPRESENTING
51% OF ECOOKIM'S TOTAL MEMBERS

THIS IS AN 11% INCREASE (VIS-A-VIS 2015)



23,369 HA

BELONG TO THE 8 COOPERATIVES

THIS REPRESENTS 50% OF ECOOKIM'S TOTAL AREA
AND IS A 22% INCREASE COMPARED TO 2015

* Ecookim, Results of the second monitoring term 2016



2. CHOOSE

CONTINUED

RESULTS OF THE SECOND MONITORING TERM 2016

(CONTINUED)



THE 8 COOPERATIVES INVESTED:

2,869

FARM SUPPORT VISITS
BY ECOOKIM STAFF IN 2016

40%

TO INCREASE THE COCOA
REVENUE FOR PRODUCERS

5,065

TRAINING PARTICIPANTS
ON AVERAGE PER MODULE:

- GOOD AGRICULTURAL PRACTICES I + II
- GOOD ENVIRONMENTAL PRACTICES I + II
- GOOD SOCIAL PRACTICES I + II

ECOOKIM INVESTED:

35%

OF THE FAIRTRADE PREMIUM
TO SUPPLY PRODUCERS
WITH INPUTS AND FERTILISERS

ALL 8

COOPERATIVES HAVE A CHILD
LABOUR POLICY AND A CHILD
LABOUR COMMITTEE INSTALLED

425

TRAINING SESSIONS
12% MORE THAN 2015



1,313

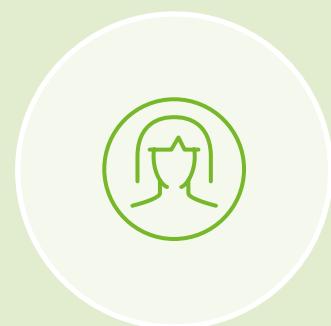
COCOA TREES PER HECTARE
WITH A YIELD OF
680KG ON AVERAGE

9,653 MT

OF COCOA PRODUCTION
ELIGIBLE TO SELL
68% MORE THAN IN 2015

7,187 MT

FAIRTRADE COCOA SALES
TO FERRERO
39% MORE THAN IN 2015



OF THE PRODUCERS ARE FEMALE

WOMEN REPRESENTATION INCREASED
AT COOPERATIVE LEVEL:

4/8

COOPERATIVES HAVE AT LEAST 1 WOMAN
ELECTED AS A BOARD MEMBER

5/8

COOPERATIVES HAVE WOMEN AMONG
THEIR GENERAL ASSEMBLY DELEGATES

APPLICATION OF GOOD AGRICULTURAL PRACTICES



MANAGEMENT OF
PESTS & DISEASES



HARVEST
MANAGEMENT



WEED
MANAGEMENT



\$1,437,443

FAIRTRADE PREMIUM
TO ECOOKIM FROM FERRERO

39% MORE THAN 2015



2. CHOOSE

CONTINUED

Save The Children & Ferrero together against child labor

We have “zero tolerance approach” towards harmful child labor and are committed to protect children’s rights all along our supply chain, as stated in our Code of Business Conduct. The common interest in children’s rights, led us to launch a successful partnership with Save the Children.

The project started on March 2016 and aims at providing protection and education to children who are victims of child labor on the Ivorian cocoa farms, where 1.2 million children are still forced to work in hazardous conditions, sometimes pushed to leave school or not even allowed to have access to education.

Thanks to the vast experience of Save the Children, our strong commitment and the constant cooperation of Local Authorities (Ministry of Family, Woman and child, Ministry of Education), it was possible to develop the project in three main directions:

- Engagement of local communities and institutions to increase awareness.
- Child protection activities in case of exploitation, abuse and violence.
- Basic education promotion to avoid child labor.

With the conviction that in fighting child labor, only an holistic approach that brings together community development and child protection can be successful, this project aims to be a sustainable development engine for these communities. The target was to reach 500 children, more than 7,500 members of 10 Communities in the Department of Soubre and 100 representatives of local institutions.



Ferrero is committed to tackling child labor





DEFINITIVE RESULTS OF THE PILOT PROJECT (15 MONTHS)

- 705 children identified for the bridging and literacy classes.
- 10 Child Protection Committees and 10 Children's Groups set up and trained.
- 10 bridge literacy classes were inaugurated.
- 20 volunteer teachers selected and trained.
- 3 social centers refurbished.
- 25 host families selected and trained.
- 96 stakeholders of the "referral mechanism" (coordination mechanism useful for immediate intervention) formed on child protection policy and children's right.

This first project is the beginning of a path that can lead to continuous cooperation between Ferrero and Save the Children, as the shared experience may help identifying new projects, areas of interest and challenges that can be pursued together in order to foster the change for a better future.

Ferrero enters a cooperative initiative to end deforestation in the global cocoa supply chain

Together with 11 of world's leading cocoa and chocolate companies, we have signed a statement of collective intent committing to work together so as to end deforestation and forest degradation in the global cocoa supply chain, with an initial focus on Côte d'Ivoire and Ghana.

The agreement, concluded during a meeting hosted by HRH The Prince of Wales and organized by World Cocoa Foundation (WCF), IDH – the Sustainable Trade Initiative (IDH) and The Prince's International Sustainability Unit (ISU), is the first of its kind covering the global cocoa supply chain.

It aims to develop an actionable suite of measures to end deforestation and forest degradation, including greater investments in more sustainable forms of landscape management; more active efforts in partnership with others to protect and restore forests in the cocoa landscape; and significant investments in programs to improve cocoa productivity for smallholder farmers working in the cocoa supply chain. Côte d'Ivoire and Ghana are the world's leading producers of cocoa, and many observers point to cocoa farming as a driving force behind rapid rates of deforestation in both countries.



2. CHOOSE

CONTINUED

PALM OIL

PROGRAM	OBJECTIVE
 FERRERO FARMING VALUES	Since January 2015 100% sustainable certified RSPO as segregated

In the reporting period 2016/2017, we sourced 203,768¹ metric tons of palm fruit oil. This amount is just below 0.3% of the world's total palm oil production, which is about 65 million tons of the world production according to official statistics (Oil World 2017).

We are committed to play a significant role in leading the sustainable transformation of the palm oil sector, for the benefit of the environment and of the people living and working in palm oil-producing countries.

It is deep-rooted in our company culture to strengthen the long-term partnership with all actors of the supply chain and achieve high level of transparency, as we call: Sacco Conosciuto. Building on this approach, we have been working towards a responsible supply of palm oil since the initial sourcing times.

Since 2005, we have been a member of the Roundtable on Sustainable Palm Oil (RSPO) and have started a systematic investment into segregated certified palm oil. Our responsibility does not stop at rigorous certification. With a vision of moving closer towards sustainability, we have launched the Ferrero – Agricultural Commitment to Sustainability (F-ACTS) framework in order to improve the conditions of rural areas and their communities where we source our raw materials.



Metric tons of palm fruit oil we sourced in the reporting period 2016/17

203,768

¹ Minor change of database:
Due to improved data availability of some extra-perimeter factories, the comparability to last year's report is slightly reduced.

THE MAJOR MILESTONES OF OUR PALM OIL SUSTAINABILITY JOURNEY

EARLY 1960's

- Ferrero starts using palm oil products

1990

- Ferrero reinforces its rigorous approach to raw material quality



2005

- Ferrero becomes RSPO member





In 2013, we created the Farming Values Palm Oil (FFVpo) Program, essentially the Palm Oil Charter, in order to better focus on the leading causes of deforestation and social issues.

During 2017, we started to systematically implement the Charter's requirements in our supply chain using the Verification Protocol. The Protocol was reviewed by our suppliers and key stakeholders and finalized during 2016. As a demonstration of our engagement with our suppliers, the Protocol allows for roadmaps with each supplier to address specific gaps and needs identified against our policies.

In 2015 we became one of the first global companies to source 100% RSPO certified palm oil as segregated.



In 2013, we created the Farming Values Palm Oil (FFVpo) Program

In 2015 we became one of the first global companies to source 100% RSPO certified palm oil as segregated. The segregation model ensures that sustainable palm oil is kept separately from conventional palm oil all the way along the supply chain back to the plantations. This is something that other certification models such as Mass Balance and Book & Claim cannot guarantee.

The major milestones of our palm oil sustainability journey are illustrated below:



Palm Oil Innovation Group

2015

- POIG membership
 - 3 growers
 - 4 FMCG
 - 9 NGOs

2017

- Field visits completed
- Contracted third-party auditor to verify Charter implementation
- Primary LCA launched



- Improved NDPE policy implementation and verification;
- Supplier engagement
- Maintenance of full traceability

FUTURE

2013

- Ferrero Palm Oil Charter:
 - Providing fully traceable oil, while including smallholder
 - Not clearing High Carbon Stock forests
 - Not using fire to clear land
 - Not planting on peat soils
 - Protecting orangutans and other protected species by maintaining High Conservation Value areas
 - Reporting on the greenhouse gas emissions of their production
 - Respecting human rights, including the right to Free, Prior, and Informed Consent of indigenous and local communities
 - Recognising, respecting and strengthening the rights of workers
 - Not using Paraquat
 - Actively fighting corruption

2016

- Systematic Implementation of the Charter:
 - Introduction of the Verification Protocol
 - Initial Supplier Roadmaps
 - Started to systematically collect the maps of plantations
 - 36,000 smallholders in the supply chain
 - Endorse HCS approach
 - New labor guidelines integrated
 - Dialogue with suppliers on Satellite verification
 - Ferrero promotes sustainable palm oil Exhibitions and engagement with stakeholders
 - Starling Remote Sensing Verification pilot launched

2018

- Supplier engagement
- RSPO engagement
- Value Creation Approach
- 99.89% plantation traceability
- RSPO and POIG engagement
- Pilot satellite assessment





2. CHOOSE

CONTINUED

LEADING THE WAY

We are dedicated to lead the way in industry transformation, working with our suppliers and partners.

Following last year's acknowledgment from Greenpeace ("Ferrero leads the Cutting the Deforestation out of the Palm Oil Supply Chain scorecard"), a ranking assessment of WWF has reassured us that we are on the right path and leading the way in our industry.

Ferrero recognized for its exceptional commitment to greater Sustainability in the palm oil sector

In June 2017, Ferrero received the ESMT Responsible Leadership Award. Representatives of Ferrero Germany accepted the award in Berlin. The Award recognizes exceptional conduct in leadership with respect to responsible business practices. This year, we were honored for our exceptional commitment to greater sustainability in the palm oil sector.



In June 2017, Ferrero received the ESMT Responsible Leadership Award

FERRERO LEADS THE LATEST WWF PALM OIL SCORECARD

On September 21st, the WWF International Palm Oil Scorecard 2016 was published and has placed the Ferrero Group as a top scorer among 137 global companies, which were all assessed according to their sustainability actions in the palm oil sector during 2015.

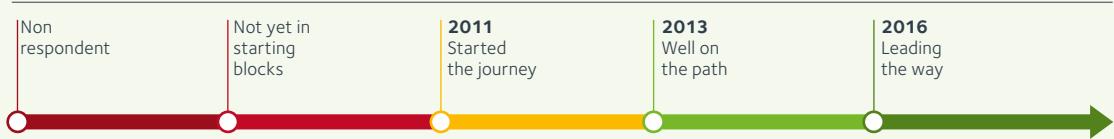
Ferrero leads the latest WWF Palm Oil Scorecard

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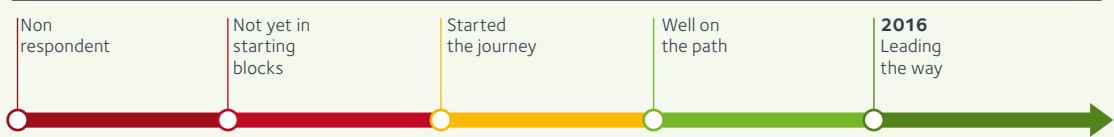
Specifically, in recent months WWF has analyzed companies in Europe, North America, Australia and Japan to understand their progress on the certification of palm oil as well as on key actions to ensure a responsible use of palm oil. Through this survey, we obtained a score of nine points out of nine and have been labeled as "Leading the way" to the ultimate sustainability goal for the industry – that certified sustainable palm oil becomes the standard commodity grade for all companies.

WHERE IS FERRERO ON THE JOURNEY TO SUSTAINABLE PALM OIL?

Progress on essential actions



Progress on the journey to physical CSPO



2 Source: WWF Palm Oil Buyers Scorecard Report



"As a member of the Palm Oil Innovation Group, Ferrero commits with stricter cultivation standards. At an early stage Ferrero has made a strong commitment to sustainable palm oil and has set ambitious goals", they said. "In doing so, the company champions sustainability in cultivation and production, as well as in improving conditions in producer countries."

The recognition of our commitment is a confirmation that we have chosen the right path and it encourages us to expedite the use of sustainable palm oil.



A handful of companies are delivering proof that good practices are possible in palm oil cultivation. Ferrero is very clearly one of them. Ferrero can trace the origin of almost 100% of the used palm oil directly back to the plantation."

WWF Germany



At an early stage Ferrero has made a strong commitment to sustainable palm oil and has set ambitious goals





2. CHOOSE

CONTINUED

Traceability, Ferrero's state-of-the-art approach

We are committed to take our supply chain beyond RSPO requirements. A key factor in doing this is maintaining robust mill and grower level traceability, which allows us to understand the first mile of our supply. Knowing the origin of our palm oil means we can work more efficiently with suppliers.

We are proud to maintain a pole position in the industry also in terms of rigorous and credible traceability and actively promote this attainable achievement to be standard for the industry.

In 2017, nearly 204,000 tons of palm oil was supplied to Ferrero. We achieved 100% traceability of this quantity to 116 palm oil mills and 99.89% traceability to 491 plantations, including contribution from some 50,500 smallholders.



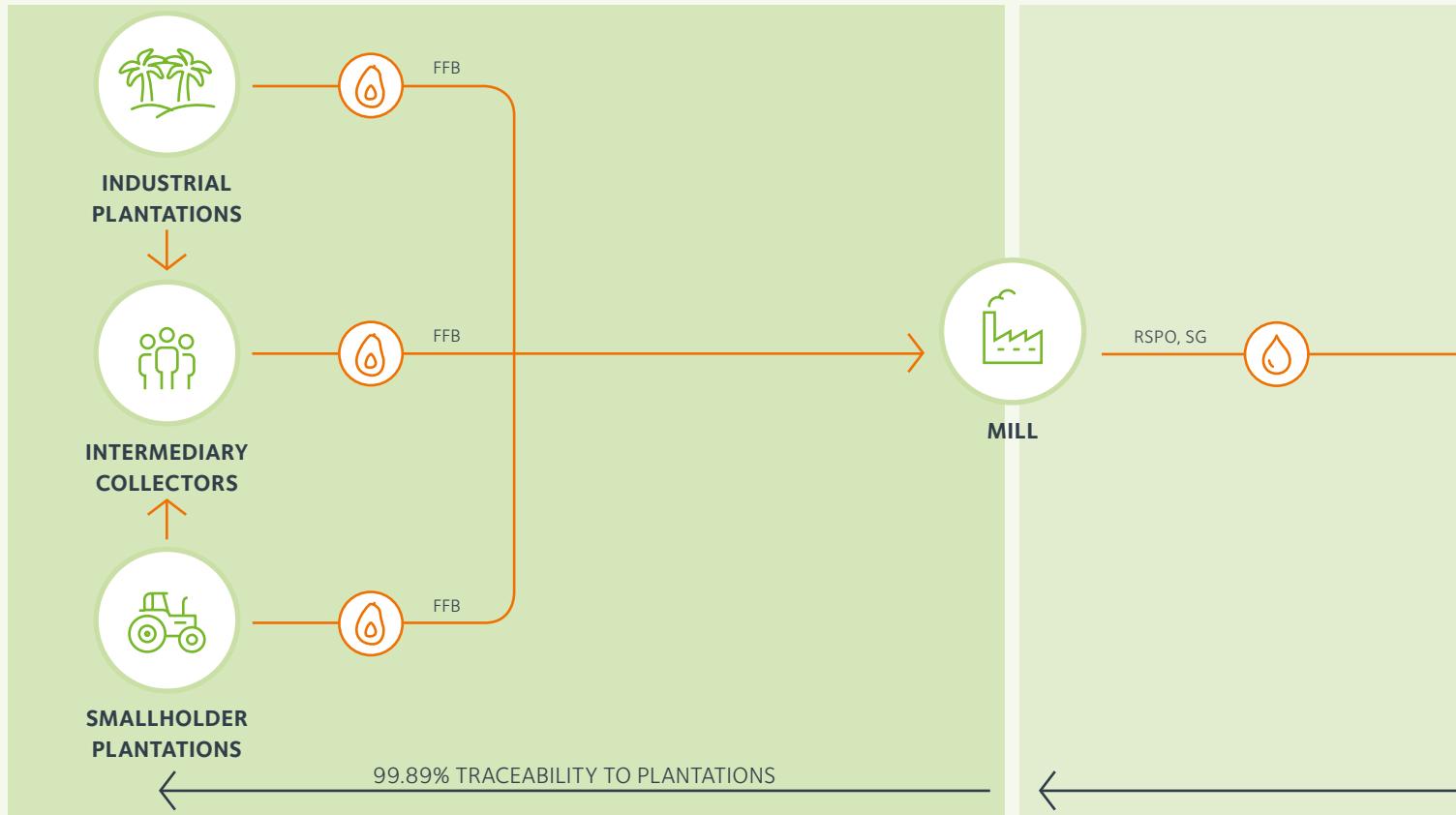
99.89% traceability
of palm oil to
plantations and

100%

traceability to mills

PALM OIL TRACEABILITY

FERRERO PALM OIL CHARTER / IMPLEMENTATION AND VERIFICATION





COUNTRY	VOLUME %	# MILLS
Malaysia	80.85%	50
Indonesia	10.59%	43
Costa Rica	5.19%	1
Papua New Guinea	2.97%	14
Colombia	0.13%	1
Guatemala	0.09%	2
Honduras	0.04%	1
Brazil	0.03%	3
Solomons	0.01%	1
Total	100%	116

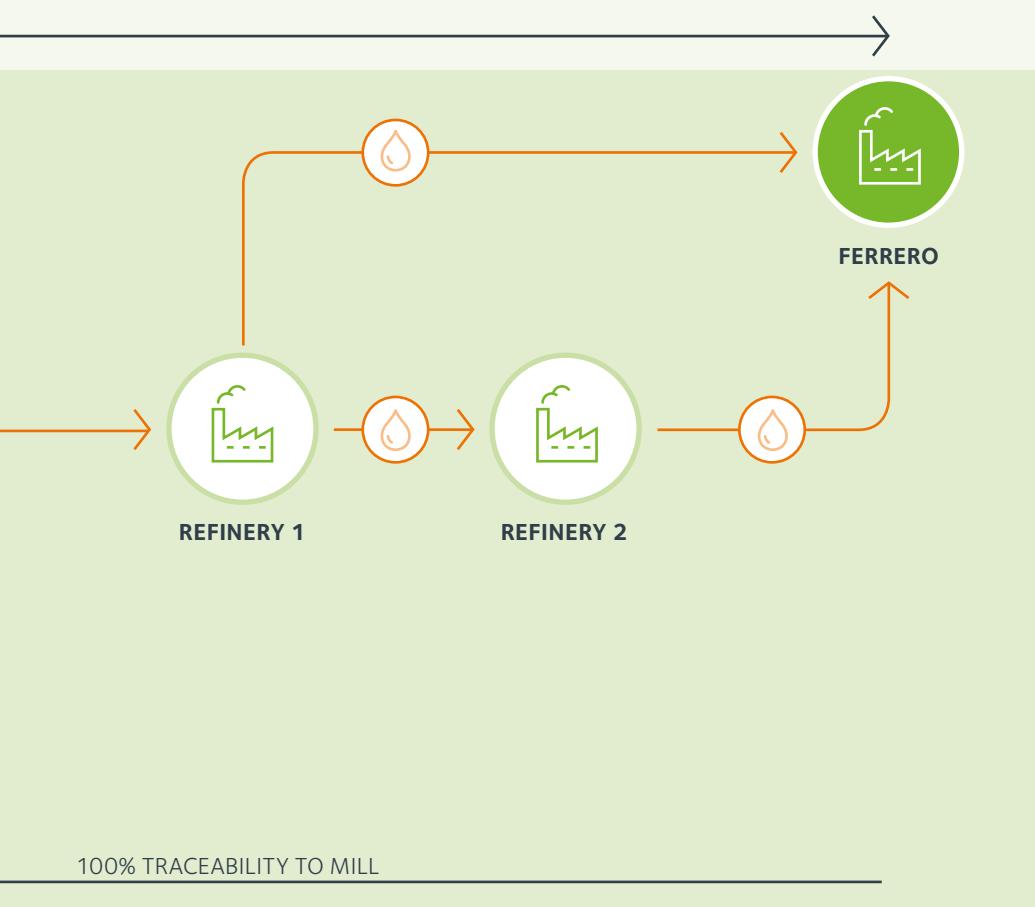


Peninsular Malaysia
accounts for 63% of the total volume from 36 major palm oil mills in 2017.

- Palm oil supplier mills
- Palm oil supplier estates

Ferrero's palm oil traceability means, we locate our supply by:

- Location coordinates and maps of growing areas;
- Full information on suppliers' and their growers' certification history;
- Size, ownership and characteristics of plantations;
- Number and location of contributing smallholders;
- Certified source of each delivery coming to our factories.





2. CHOOSE

CONTINUED

VERIFICATION OF TRACEABILITY AND THE CHARTER'S IMPLEMENTATION

Using the 2017 traceability data, we worked on the desktop assessment of suppliers, identifying their status on social and environmental topics, any gaps compared to the Charter. This assessment enables us to identify the priority plantations to visit in order to request improvements on their activities.

After the completion of these visits, we will be able to start running the third-party verification process according to the "Ferrero Verification Protocol". It will help determine if our suppliers are effectively meeting the Ferrero Palm Oil Charter requirements.

TRANSPARENCY IS A JOINT ASSET WITH OUR SUPPLIERS

During 2017, we drastically modified our sourcing strategy to continue ensuring 100% RSPO certified segregated palm oil. The loss of RSPO certification by some large suppliers shocked the industry in 2016, which has let us to largely revise our supply base.

Our traceability achievement was also threatened. However, thanks to existing, reliable suppliers and newly engaged new ones, we have put our commitment into effective practice without compromising the level of certification or full grower level traceability.

Supplier engagement

Based on recent experience, we acknowledge that suppliers play a crucial role in supporting our journey in sustainability. Without the collaboration and support of our all our suppliers, we could not have a transparent supply chain and would not be able to offer consumers safe and sustainable products.

Furthermore, we would not be able to tackle major changes in our supply base without compromising full implementation of the Ferrero Palm Oil Charter.

In addition to interactions at events hosted by the RSPO, POIG, SAI, EU, we regularly meet our suppliers and continuously engage with them to ensure the implementation of our Palm Oil Charter in line with our roadmap.

Supplier assessment and field visits: the base for roadmaps

In order to establish an in-depth discussion with our suppliers we piloted a self-assessment questionnaire to selected suppliers in 2017. Through the feedback from the pilot assessments, we were able to identify the supplier's status on social and environmental topics, key challenges they face on the ground and various gaps compared to the Ferrero Charter. By the end of 2017, we had rolled out the assessment to all our suppliers and findings from the assessments are currently being evaluated.

In May 2017, the Ferrero team, together with our sustainability partners, visited key suppliers in Malaysia and Indonesia. The purpose of this trip was to firstly discuss the findings from the pilot self-assessments and to secondly experience first-hand the practices that are being undertaken by the suppliers in terms of managing labor and environment related issues.



FERRERO GLOBAL PALM OIL SUPPLY CHAIN





These field visits provided essential information to the development of individual roadmaps for our suppliers in order to fulfill the Ferrero Palm Oil Charter requirements. Consecutive field visits are planned in March and May 2018.

No exploitation

We have integrated the "Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance" and the related POIG guidelines "Palm Oil innovations: Labour Rights" into our charter. Based on these guidelines and the in-depth discussions at the field visits, we have developed a clear roadmap for each supplier, essentially oriented around labor related matters, as well as to define solutions to improve the shortcomings.

The tailor-made roadmaps were systematically shared and discussed with our suppliers between November 2017-March 2018. We are committed to support our suppliers and will contribute to the development of social sustainability projects on the ground, where gaps are identified.





2. CHOOSE

CONTINUED

No deforestation

Building on the unique traceability of the Ferrero palm oil supply chain, we can evaluate historical and current land use dynamics. We collaborate with IIASA – the International Institute for Applied Systems Analysis and other organizations in the area of land use change modeling.

In 2017, we started piloting a geospatial assessment to monitor forest cover change within our supply chain and to understand the capabilities of satellite monitoring for no-deforestation verification purposes.

The assessment, called Starling, has been developed by using a combination of different remote sensing technologies. It is able to provide real time updates on deforestation within and around the selected plantations of our supply chain, with special focus on HCS, HCV and other protected or risk areas.

Following positive results of the testing phase, in May 2017 we embarked on Phase 2 of this project, which we expect to finish in August 2018. Accordingly, our Verification Protocol will serve as the basis for the assessment carried out by our auditing partner.

SUPPORTING TRANSFORMATION: TALK THE TALK AND WALK THE WALK

We are an active promoter of sustainable palm oil at multiple levels. We are contributing members of various multidisciplinary expert platforms and round tables, where the future of the palm oil industry is tailored and discussed.

Palm Oil Innovation Group

A journey towards responsible palm oil

We actively support the POIG, a multi-stakeholder initiative with a mission to transform the palm oil industry, and break the link between palm oil, the destruction of forests and peatlands, and the violation of human and labor rights. We share the POIG's vision to "break the link between palm oil and deforestation, and human, land and labor rights violations."

Founded in 2013, the initiative was developed in partnership with leading NGOs as well as with progressive palm oil producers. Within POIG, we aim to support the RSPO by demonstrating that innovation and leadership in responsible palm oil production is possible.



Further details on POIG see:
www.poig.org





With the aim to foster transformation, POIG recently published the Palm Oil innovations: Labor Rights guidelines, which outline how to ensure that the rights of workers are respected by palm oil growers. It also advises the RSPO on how to reinforce its current Principles & Criteria on this topic in the upcoming review. We are also an active participant in the Peatland&Wetland Working Group of POIG.



We have been an active member of RSPO since 2005 and believe that the roundtable has a key role in promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders. We believe that by facilitating the uptake of RSPO certified, physically segregated palm oil, furthermore the constant improvement of the RSPO standards, there can be a significant impact on the transformation of the industry. While actively promoting RSPO's journey of improvement, we are committed to buying 100% RSPO SG palm oil and to the implementation of additional sustainability criteria on the top of RSPO requirements.

European Palm Oil Alliance

We work closely with the European Palm Oil Alliance (EPOA). EPOA is a business initiative to engage with and educate stakeholders on the full palm oil story, it closely collaborates with national initiatives active in the different European countries, facilitating science based communication and creating a balanced view on the nutritional and sustainability aspects of palm oil.

We also collaborate individually with many EPOA members through national industry alliances in Europe, providing clear commitment and monitoring on the use of certified sustainable palm oil:



FERRERO PALM OIL SUPPLIERS

Our main suppliers for the current period reporting period are:



Find our biannual progress reports on:
<https://www.ferrero csr.com>

See also:

[Q&A Palm Oil](https://www.static.ferrero.com/globalcms/documenti/1758.pdf)

<https://www.static.ferrero.com/globalcms/documenti/1758.pdf>

[Q&A Palm Oil in Ferrero products](https://www.static.ferrero.com/globalcms/documenti/1758.pdf)

<https://www.static.ferrero.com/globalcms/documenti/1758.pdf>

<https://www.ferrero.com/fc-4073?newsRVP=448>

EPOA strongly supports the uptake
of 100% sustainable palm oil. See:

www.palmoilandfood.eu/en



2. CHOOSE

CONTINUED

SUSTAINABILITY IN SHEA AND SAL

Shea butter is processed from Shea nuts and is used to enhance the taste and consistency in our products.

The Shea tree is a wild-growing tree that can only be found in the Sahel belt of West Africa. The tree is very important for countries in the region, as its fruit provides nutrition and income to the population in rural areas. The bark, leaves, sap and roots are used for traditional medical purposes. The trees also contribute to the prevention of desertification.

Traditionally, women collect the shea fruits, which make up a significant proportion of people's diet. The kernels are boiled, deshelled and dried. Some kernels are kept for household use, and the rest are sold. The income from selling the kernels makes an important contribution to the families' economy, enabling them to pay for school fees, clothing and farm equipment.



Our on-going collaboration with our shea supplier AAK supports the long-term sourcing of sustainable and traceable shea in Burkina Faso and bordering countries. By empowering and educating women to treat the Shea in the best possible way from collection to storage, the project helps them generate more income by producing higher quality Shea kernels and trading directly with women's groups of their choice.

The number of women participating in the program has grown almost exponentially since 2009, which tells us that the program is a very successful one.

Shea butter is processed from Shea nuts and is used to enhance the taste and consistency in our products.



More about the AAK project: aak.com/siteassets/news-and-stories/insight-2016/insight-3-november-2016.pdf



Shorea (Sal) butter is obtained from the fruit of the Sal tree (*Shorea Robusta*) in India. The butter is used to enhance the consistency of our products.

In 2017, we became a member of the Global Shea Alliance.



Shorea (Sal) butter is obtained from the fruit of the Sal tree (*Shorea Robusta*) in India. The butter is used to enhance the consistency of our products.

Sal is a semi-deciduous tree, usually growing to a height of 18–30 feet. It is found mainly in moist evergreen regions of India, which make up around 14% of the country's total forest area – spread across the states of Chattisgarh, Orissa, Jharkhand, West Bengal, Madhya Pradesh, HP, Haryana, Uttarakhand, Assam, Arunachal Pradesh, Bihar, Uttar Pradesh and Andhra Pradesh. The butter is extracted from its fruit seeds and then further processed and refined to obtain a light colored butter, which has a low odor and smooth, dense texture, suitable for cosmetics as well as food. Ferrero's supplier of Sal butter has worked for many decades with the indigenous people who traditionally collect Sal seeds and derive their main income from its cultivation.



2. CHOOSE

CONTINUED

HAZELNUTS

PROGRAM	OBJECTIVE
 FERRERO FARMING VALUES	By 2020 100% traceable



Sustainability approach driven by Hazelnut Company

The hazelnut has always been a key ingredient in our main products. Over the years we have worked along the value chain to foster the development of high quality, sustainably grown hazelnuts.

Recently, in response to the expansion of activities connected to the hazelnut value chain, we have established the Hazelnut Company, a Ferrero division that takes care of all our hazelnut activities, ranging from cultivation in several geographies and procurement in different markets to the processing of our products.

One of the Hazelnut Company's strategic priorities is the maintenance of an efficient and sustainable end-to-end hazelnut supply chain; this priority has driven several activities at different levels.

Our approach to sustainability encompasses many different aspects: starting with the traceability of the product in the field and including environmental, agricultural and social good practice to ensure that all parts of the value chain are aligned to pursue 360°sustainability.

Our sustainability program is deployed through different initiatives under the umbrella of "Ferrero Farming Values" (FFV), a global brand that includes the definition and implementation of the sustainability programs across our different value chains (Hazelnut, Cocoa, Palm Oil, Sugar, etc.).

The implementation of good practices in various areas ensures that the best, most modern and efficient technologies are applied to the cultivation of hazelnut – with a clear intention to spread the culture created through Ferrero initiatives to local farmers and hazelnut communities in the different geographies where we operate.

In terms of GAP (Good Agricultural Practices), we are committed to directly apply (in our own Agrifarms and amongst third-party growers) several agricultural practices which maximize yields and crop quality in a cost effective while also have a reduced and responsible impact on the agricultural ecosystem.

The areas covered by GAPs include: soil management (fertilizers), water management (irrigation techniques) and the correct and responsible use of chemicals (herbicides and pesticides) – all in compliance with local regulations and the highest sustainability standards.

Because of the importance of Turkey as a hazelnut producing country and the particular conditions in its value chain, the program was based on the concept of increasing yields and quality in existing hazelnut orchards in order to improve conditions for farmers and build a better and more sustainable future.

During the most recent growing season, our FFV teams visited more than 300 orchards a day, across more than 20,000 hectares and including 15,000 farmers. Orchards that participated in FFV activities increased their yields by an average of 20-25% compared to non-participating orchards in the same areas.



Yield increase for orchards participating in FFV activities

20-25%





The FFV program included a customized plant nutrition program that started at farm level with soil and leaf analysis. It helped farmers to fight plant diseases and pests by using appropriate phytosanitary products and pruning techniques and to maximize the economics of production by using correct timing and modern irrigation techniques. Finally, the FFV showed farmers how to dry and store their hazelnuts to maximize freshness. The entire program focused on educating producers about the importance of maintaining high quality.

The program covers social improvements too: providing information to help producers and workers understand issues concerning child and youth workers, regulations around working and living conditions, health and security, just and equal payments, waste management, and much more.

The driving principle of "Ferrero Farming Values" standards is to produce crops in a way that is respectful and sensitive of nature, the surrounding environment and humans. In order to transmit those principles and set an example, we have created model farms where we apply Ferrero Farming Values. At these farms, we run special Orchard, Harvest, Mechanization, Drip irrigation and Pruning educational days.

Together with our partners, we also organize activities to help women, young people and children improve their understanding of hazelnut production and contribute to creating an improved and sustainable hazelnut supply chain. We organize art and photography events for children and youngsters in order to provide a different perspective.

TRACEABILITY

Traceability in our hazelnut supply chain refers to our ability to identify the origins of hazelnuts, right back to individual farm or "farm cluster" level.

Production at scale can make traceability difficult for companies because of the highly complex supply chains involved. These are typified by a variety of intermediaries, scattered information and different data processing systems. We are working with other players along our supply chain to improve traceability, demanding greater transparency from all stakeholders to improve quality and sustainability.

Knowing the origin of our produce is also important in facilitating better connection and collaboration between ourselves and the producers who supply us; helping us to promote and ensure the best social and environmental practices.

According to the sustainable hazelnut sourcing roadmap, we will reach 100% traceability in 2020.

By the end of FY 2016/2017, we had achieved traceability for more than 25% of our sourced hazelnuts.

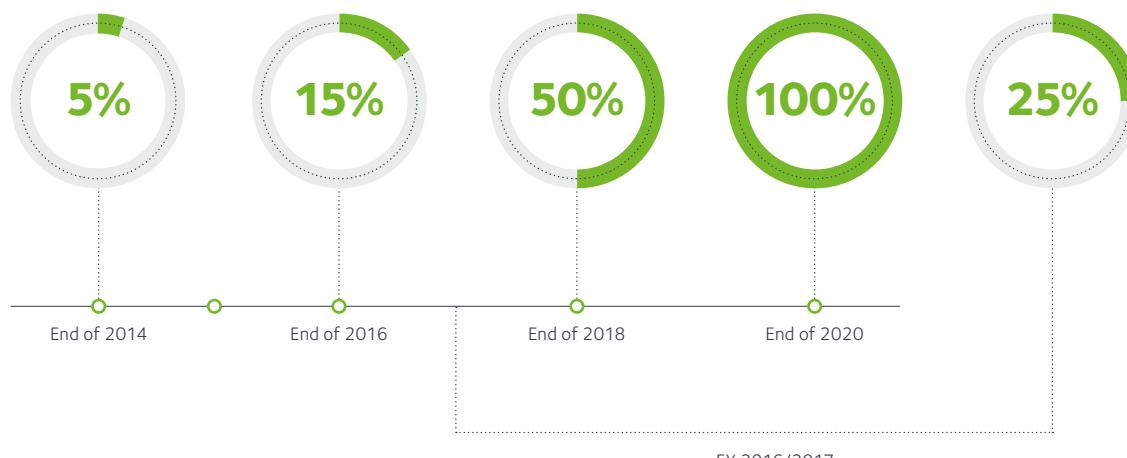
Since 2014 SCS Global has been conducting regular yearly traceability audits of our hazelnut supply chain in Turkey. A similar approach is being applied to our sourcing activities in Italy and Chile. These audits, combined with our yearly compliance sustainable practice audit, provide us with deeper insights into a complex multi-tier supply chain.



Estimated reach of traceability by the sustainable hazelnut sourcing roadmap

100%

TRACEABLE HAZELNUT SOURCING ROADMAP





2. CHOOSE

CONTINUED

In the future, as the traceability program matures and rolls out, we plan to have more of our hazelnut supply chains in different countries audited by independent auditing bodies, covering all the crops used for the volumes in Ferrero's production. This will allow us to add yet another level of verification and assurance, demonstrating best traceability practices at scale.

ROLES AND RESPONSIBILITIES

We aim to promote a sustainable culture in the Hazelnut Supply Chain. We strongly believe that this can be achieved by clearly defining the roles and responsibilities of all stakeholders along the supply chain. With the FFV project, we actively support capacity building and capability improvements, which are crucial elements in respecting human rights.

In Turkey, the objective of improving sustainable agricultural and social practices on farms is complemented by recognizing farmers as key players in tackling the social issues and farming business transformation.

The program aims at promoting the transition to responsible agriculture and building farmers capacity to understand the Turkish regulatory system, through social dialogs with them. The farming community is invited and actively engaged in these meetings by Ferrero Social Officers. During the meetings, we share needs, concerns, ideas and solutions regarding encountered social issues in farming. The dialog also focuses on helping farmers to understand relevant Turkish laws and regulations related to worker employment.

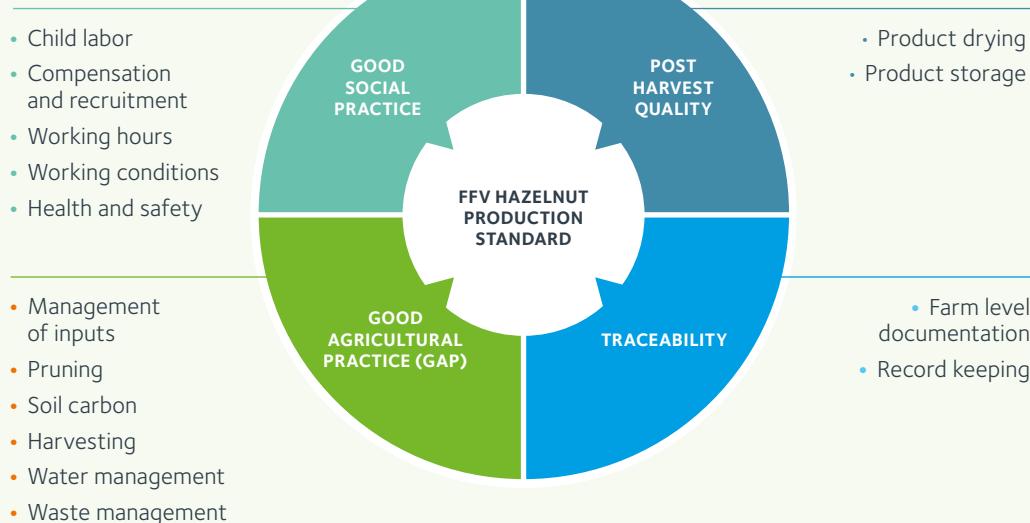
Other activities fulfilled by the Social Officers include, but are not limited to, children activities and activities with seasonal workers facilitated through NGOs, women training, muhtar training, internal audits and stakeholder mapping. The yearly circle of activities executed by our FFVh Social Officers is illustrated below. A major focus is the conduction of the Monitoring & Evaluation System – created within the Strategic Alliance with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH).

YEARLY CIRCLE OF ACTIVITIES EXECUTED
BY THE FFVh SOCIAL OFFICERS





THE FERRERO FARMING VALUE (FFV) HAZELNUT PRODUCTION STANDARD



Since 2012, our plan on sustainable procurement has included the involvement of leading global certification firm, Scientific Certification System (SCS Global Services), which we have commissioned to develop concrete action on the ground in Turkey.

Twice a year, SCS and local auditing firms carry out specific audits on our supply chain to prove the commitment and compliance of producers to the FFV Hazelnut Production Standard, as well as the Traceability of our Hazelnut Supply Chain.



In August 2017, SCS Global audited 100 FFVh farmers in six provinces:

- 27 of them were audited for FFVh & UTZ.
- Overall the number of farmers involved in UTZ Certification was increased from 389 to 712.
- Total field size was 2,978 hectare.

Ferrero, in collaboration with SCS Global, updated the FFV Hazelnut Production Standard in 2017 and started to implement the new Version 2.1.



2. CHOOSE

CONTINUED

STRATEGIC ALLIANCE – PROMOTING SUSTAINABLE SOURCING IN THE FRUIT INDUSTRY

Implementing efficient sustainable sourcing initiatives is inherently collaborative. In order to receive appropriate strategic advice and technical expertise on the designing, implementation and monitoring of sustainable sourcing themes, we decided to join forces with two other companies, Messem in Morocco and Havamad in Madagascar, in a Strategic Alliance enabled through GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH). The three-year partnership started in 2016 and aims to promote sustainable sourcing in the fruit industry with a specific focus on worker rights.



messem

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



developPPP.de

The developPPP.de program was set up by the German Federal Ministry for Economic Cooperation and Development (BMZ) to foster the involvement of the private sector at the point where business opportunities and development policy initiatives intersect.

Through developPPP.de, BMZ provides companies investing in developing and emerging countries with financial and professional support by public partners like GIZ.

In Turkey, it includes, among other activities, training programs for FFVh Social Officers on the ground and educational activities for farmers' children during harvest season. With the support of an expert in impact assessment, the German organization Endeva, a comprehensive Monitoring & Evaluation System (M&E) has been designed and implemented in order to be able to assess and report the progress and impact of social activities and interventions managed by FFVh. The M&E reflects the collected data from different stakeholders in the hazelnut sector, including farmers, workers, labor brokers and various community opinion leaders. FFVh uses the outputs of the system to create effective action plans to better tailor on-the-ground activities to social needs.



BMZ provides companies investing in developing and emerging countries with financial and professional support by public partners like GIZ



**Children withdrawn/
prevented from
working in the field
through education
services since 2013**

4,279

ILO PPP

Action Against Child Labour in Seasonal Hazelnut Agriculture: An Exemplary Public-Private-Partnership

We support and participate actively in an extended Public-Private Partnership with CAOBISCO (European Association of Chocolate, Biscuits & Confectionery Industries) and the ILO (International Labor Organisation) in Turkey, through a project that aims to contribute to the elimination of the worst forms of child labor in seasonal agriculture in hazelnut harvesting.

The project is being implemented jointly by the Ministry of Labor and Social Security of Turkey (MoLSS) and the ILO, in line with the National Employment Strategy (2017–2023).

The PPP was established in 2013 and in September 2017 the majority of project members agreed on a smooth transition into a new project phase, running until the end of 2020.

Contributing through financial efforts, active engagement and expertise, the members decided to focus on capacity building in combating child labor, at a local and national level; by training seasonal migrant workers in their regions of origin as well as in the areas where they find work in the Hazelnut Supply Chain.

Between 2013–2017, the project contributed to the policy development of a National Programme on the Elimination of Child Labour (2017–2023), in collaboration with the Ministry of Labour and Social Security to a Circular issued by the Ministry of National Education (MoNE). In 2016 its focus was on Access to Education for Children of Seasonal Agricultural Workers and Nomadic or Semi-Nomadic People. In 2017, a Circular issued by the Prime Ministry focused on Seasonal Agricultural Workers, regulating the efforts of hazelnut provinces to provide assistance and secure conditions for workers. Beside the policies created, the PPP reached many families through counseling in groups or individually; withdrew or prevented children from working in the field, through the provision of educational services; and reached out to intermediaries through counselling programs (see table below).

ACHIEVEMENTS BETWEEN 2013–2017 IN THE HAZELNUT SUPPLY CHAIN THROUGH THE PPP WITH CAOBISCO AND ILO TURKEY¹

		2013	2014	2015	2016	2017	Total
Families	Counseling services	330	313	1033	1500	1050	4226
	Individual counseling	192	101	202	267	248	1010
Children withdrawn/ prevented	Education services	381	408	1165	1200	1125	4279
	Regular attendance	252	310	719	1015	1064	3360
Intermediaries	Group/individual counseling	22	20	41	48	54	185

¹ Source: ILO Ankara, Annual Report to CAOBISCO



2. CHOOSE

CONTINUED

SUGAR	
PROGRAM	OBJECTIVE
 FERRERO FARMING VALUES	By 2020 100% certified as sustainable

In FY 2016/2017, the total volume of sugar we purchased can be broken down as approximately 25% refined cane sugar and 75% beet sugar.

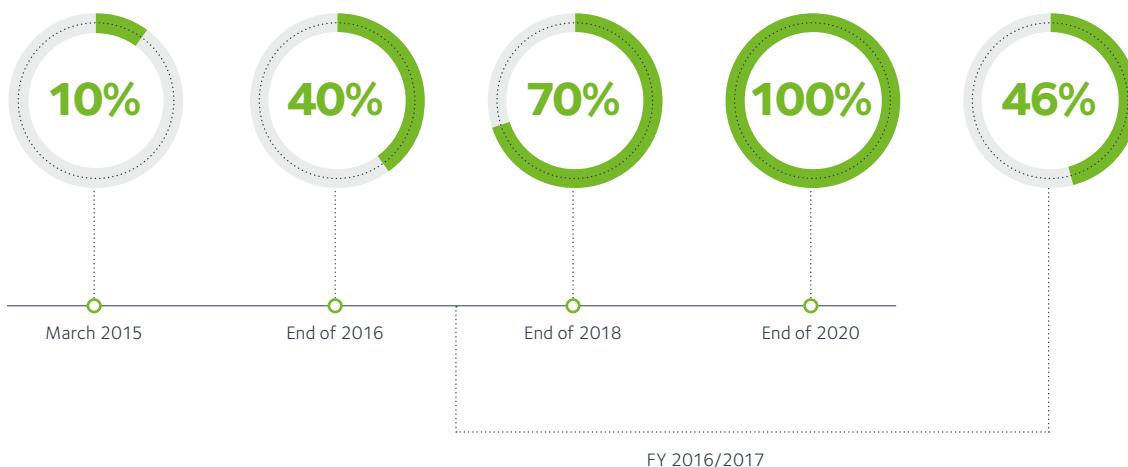
We have maintained and made a commitment to strong, trust-based relationships with numerous agricultural cooperatives and sugar producers. For decades, we have collaborated with suppliers, who extensively provide us with high quality sugar.

To support the development of sourcing from other sugar producing countries, our procurement and quality teams have put in place a baseline selection procedure for new suppliers. This allows us to guarantee that raw sugar always meets our high quality criteria, through its internal auditing system.

As mentioned in previous CSR reports, Ferrero sources 100% non-GMO sugar.



SUGAR SOURCING ROADMAP





By 2020, Ferrero is committed to source all refined cane sugar from sustainable sources.

By systematically devoting resources to evaluating the currently available certification schemes, namely their robustness, on-ground impact, resource and cost efficiency evaluations, we are identifying further possibilities to expand our sustainable sugar cane supply chain. Through intensive discussions and field visits, we have identified and formally engaged with suppliers who have sound sustainability strategies.



Since 2010, we have been a member of the "Bonsucro – Better Sugar Cane Initiative": a globally recognized organization that promotes the sustainability of the sugarcane sector through a metric-based certification scheme. The scheme is supported by the implementation of a production standard that focuses on reducing environmental and social impacts including biodiversity, ecosystem, human rights and labor standards, as well as legal compliance.



More about Bonsucro – Better Sugar Cane Initiative:
www.bonsucro.com



Within the "Manifesto for Integrated Cooperation – fair trade and solidarity as a new form of cooperation" the sugar program that we are developing together with Altromercato in Mauritius is progressing.

The Sustainable Development program on smallholders' sugar cane production is strongly based on our commitment to create shared value within supply chains and in 2017 its objectives remained as follows:

- Strengthen the organizations of small producers operating in their home countries;
- Guarantee a long-term partnership with these organizations, through Altromercato, and sustainable access to the market and to market information, considered indispensable elements in attaining cooperative development and Sustainable Trade, inspired by the values of Fair Trade;
- Promote in a coordinated way the growth of a culture and economy that focuses on responsibility, through targeted research, communications and awareness campaigns, and the involvement of certain trade associations and socio-economic actors;
- Launch common projects on Fair Trade and/or Sustainable Trade.



Ferrero sources

100%

non-GMO sugar



By 2020, Ferrero is committed to source all refined cane sugar from sustainable sources.



2. CHOOSE

CONTINUED

The "Sustainable Development Programme", kicked off in 2016, with the overall aim of improving and enhancing the economic, environmental and social sustainability of small sugar cane producers in Mauritius.

Its activities focused on two main goals for 2017:

1. encourage the small producers of beneficiary cooperatives to use bio-based fertilizers and organic fertilizers in conjunction with appropriate chemical fertilizers, by introducing standardized, efficient and sustainable Integrated Nutrient Management (INM) practices, which are in line with recent governmental policies to promote bio-farming in Mauritius;
2. facilitate the streamlining and efficiency of services offered to the beneficiary cooperatives of small farmers, by investing in innovation and by encouraging the inclusion of young professionals to support the cooperatives and their members.



The implementation of activities and progress made towards the intermediate and annual targets have been monitored through the use of a tailor-made M&E system, managed by ARCO (Action Research for Co-Development), a research center linked to the University of Florence, that has provided a report on the state of activities and results.

Overall, in 2017, the project recorded the participation of 25 cooperatives that had all committed to implement agreed measures. As the following table shows, the participation of member cooperatives remained high throughout the whole year.



Implementation of Good Agricultural Practices

73.4%

Number of secretaries attending the periodical meetings/ Number of target CCS	Nov 2016	19/25	76%	Attendance sheets
	Feb 2017	18/25	72%	
	Apr 2017	19/25	76%	
	Sept 2017	24/25	96%	

If we look at the participation of single growers during the training sessions organized by the local structure of Altromercato we can see that the M&E registers a fairly low participation.

Number of planters attending training sessions/ Number of planters in target CCS	208/898	23.1%	Attendance sheets

However, when we look at successful implementation of Good Agricultural Practices, such as the distribution of fertilizers and the application of organic fertilizer, according to INM we see that the support given directly on the group yielded very good results (table below).

Number of satisfactory fertilization/ Number of field visits*	268/365	73.4%	Access database

* Note: Number of field visits refer here only to those conducted on planters who signed the voucher and received the fertilizers.



The M&E system highlighted challenges such as: low participation in training and lack of capacity among some farmers to carry out GAP that are being already addressed by Altromercato and Ferrero field teams on the ground in Mauritius. The scientific approach to improving the cultivation of sugar cane aims to improve the livelihood of participating growers but the effects cannot be evaluated using statistical methods after just one year.

However, comments and feedback from our six team members (a project manager and five young professionals) has been consistently positive and the enthusiasm generated by the increase in productivity and sugar content of the cane have boosted farmers to commit to a stronger collaboration for 2018.



Comments and feedback from our six team members (a project manager and five young professionals) have been consistently positive





2. CHOOSE

CONTINUED

EGGS AND MILK

Policy on animal welfare in the milk and egg supply chains

We consider animal welfare to be an important principle of our ethical responsibility. Within the supply chains of animal origin products one of our main objectives is the development of a process that ensures the progressive improvement of animal welfare standards.

In June 2017, a multidisciplinary team involving Sustainability, Procurement, Quality and R&D departments, and FAI Farms was created in order to build up a comprehensive program dedicated to animal welfare. Animal welfare contributes to the quality and safety of products, as well as the sustainability of the supply chain over time.

The five freedoms¹¹ of animal welfare provide an internationally recognized framework to describe the conditions necessary to support animal well-being:

1. Freedom from hunger, thirst and malnutrition, ensuring the animal's access to fresh water and a diet that maintains full health;
2. Freedom to have a suitable physical environment, providing the animal with an environment that includes shelter and a comfortable resting area;
3. Freedom from pain, injury and disease, preventing or diagnosing and treating issues quickly;
4. Freedom to express their own species-specific behavioral characteristics, providing the animal sufficient space, proper facilities and the company of animals of their own species;
5. Freedom from fear and distress, ensuring conditions and care that do not involve psychological pain for the animal.

It is now acknowledged that as well as ensuring an absence of negative welfare states, the promotion of positive welfare is important to ensure a 'good life for animals'¹².

Therefore, we are committed to ensuring that in our supply chains:

- animals receive an adequate supply of water and food and the necessary care to keep them in good health, avoiding pain and suffering;
- genetic engineering or cloning must be avoided on laying hens and dairy cattle, globally;
- milk and eggs derivatives are not obtained by using animals (surrogate dams, clones and their progeny), which have been reproduced through cloning techniques;
- antibiotics must be used responsibly, reducing their use and avoiding their prophylactic use, whenever possible; and the usage of cephalosporins (3rd and 4th generation) in laying hens is not allowed (the implementation will be effective by the end of 2018);
- the transport of animals must always be carried out minimizing potential causes of stress and limiting its duration as much as possible, and must be compliant to the legal requirements;
- routine mutilations must be avoided, unless strictly necessary to preserve the well-being of animals.

11 The five freedoms for the protection of animal welfare are listed by the Farm Animal Welfare Council (1979), based on the Brambell Report.

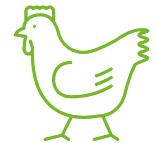
12 Farm Animal Welfare in Great Britain: Past, Present and Future; Farm Animal Welfare Council: London, UK, 2009.





EGGS

	OBJECTIVE
 FERRERO FARMING VALUES	<p>By 2025 100% of eggs from barn hens (100% for EU plants reached in September 2014)</p>



100% of eggs from
barn hens by

2025

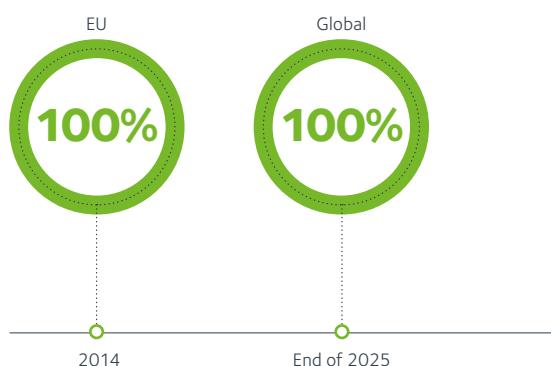
Our egg supply chain is integrated (suppliers have the control of life cycle of their animals and the feed composition). And we are committed to sourcing eggs from cage-free hens living in barns for our global supply chain.

We reached our objective of using 100% cage-free eggs in 2014 in the EU; and even though our European egg supply chains accounts for 95% of all the eggs we use globally, we will maintain our commitment to source only cage-free eggs and egg ingredients globally by 2025.

In 2013, we developed two new manufacturing plants outside Europe, in Turkey and Mexico. The eggs used in these plants make up approximately 5% of our global consumption. Although this represents a small quantity, we are developing a cage-free egg sourcing strategy for Mexico and Turkey to fulfill our commitment.



EGGS FROM CAGE-FREE BARN HENS ROADMAP





2. CHOOSE

CONTINUED

MILK	
PROGRAM	OBJECTIVE
	Pursue strict quality standards and monitor sustainability indices

Over many years we have developed and nurtured long-term relationships with milk producers who are carefully selected locally. This approach has enabled mutual cooperation to ensure and improve freshness and quality with the same standards for all our milk suppliers.

We use these relationships to strengthen our "controlled, short supply chains", paying particular attention to the activities of suppliers linked to sustainability in terms of animal welfare and environmental responsibility.

Ferrero has established a very strong long-term relationship with two strategic suppliers auditing 100% of their farms (Inalpi in Italy and Mittelelbe in Germany).

We strictly adhere to national production regulations on raw milk and other dairy products, and constantly encourage our suppliers to adopt best practices in milk production. Dairy production regulations covering milk quality parameters (for example, the absence of antibiotics), and its classification and composition, may vary from country to country. However, our high standards for the supply of milk are applied globally, regardless of the level of local regulations in force.

We source our milk directly from our dairy partners, selected according to strict standards to ensure the control of the entire chain and constant freshness, taste and safety. Through the short, controlled supply chain, we are able to create a streamlined system of traceability, which goes beyond legislation (including 100% traceability of dairy farms), to provide a clear picture of the path from farm to product.



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ABOUT PLASTICS

Plastic litter is of increasing concern to consumers worldwide. It is important to collect and recycle as much packaging material as possible. The collection of packaging at the end of its life allows us to recover the natural resources (water, heat and other key resources) used to make it and to avoid littering.

Plastic is an important packaging material thanks to its characteristics¹ – lightweight, odor barriers, oxygen barrier, tightness and sealability, transparency, waterproofing and mechanical resistance. All those relevant aspects make plastic useful in food manufacturing.

However, some of those characteristics lead to environmental concerns if not well managed. Marine litter items come mainly from land-based litter that is not managed correctly², so it is important for us to work with our consumers as well as local authorities and recyclers to take action. We do this directly (see our labeling or reuse our pack focus box) or with the associations we belong to.

We are also involved in monitoring new developments in packaging innovation and evolution in packaging design. We are part of several different working groups related to eco-design guidelines and approaches that help designers understand the end of life of plastics packaging in order to facilitate design for recycling. We are involved in initiatives to help create a long-term vision for plastics circularity.



¹ www.ellenmacarthurfoundation.org/assets/downloads/publications/NPEC-Hybrid_English_22-11-17_Digital.pdf, page 12

² www.ec.europa.eu/environment/marine/good-environmental-status/descriptor-10/index_en.htm



CHOOSING OUR PACKAGING

The amount of paper based materials we use compared to other materials is constant year on year. This has led to a small increase in our use renewable packaging amount, compared to our 2020 goal. Because of our commitment to reduce the amount of packaging, we have reduced the weight and quantity of renewable materials too, so making progress together with our focus on product protection is making progress towards this goal increasingly challenging.

We are reconsidering our approach to bioplastics both in terms of sustainability along their supply chain and also regarding some technical difficulties or limits in their use in our packaging. Nevertheless, our Science R&D team is looking at innovation in next generation bioplastics and other interesting streams that may help us to improve our packaging footprint.

We work in line with our quality and sustainability goal. We choose to use virgin paper and cardboard to guarantee the highest quality of our consumer packaging.

We ensure that these packaging materials come from sustainable certified supply chains. The rest of our paper based packaging contains recycled materials.

OUR ENGAGEMENT AND COLLABORATION WITH SUPPLIERS

Sectoral Collaborative Engagement

Since 2011, we have been an active member of AIM-Progress. This is a group of more than 40 Fast Moving Consumer Goods companies, assembled to enable and promote responsible sourcing practices. It is a global initiative supported and sponsored by AIM in Europe and GMA in North America.

AIM-Progress's key objectives include building supply chain capability so that member organizations and their suppliers are competent in executing robust responsible sourcing programs; and effectively assuring compliance in the members supply chains through aligning practices, standards and metrics.

Under the membership of AIM-Progress, we collaborated with other member companies on organizing supplier capability building activities in order to level the playing field of responsible sourcing along the supply chains.



The percentage of packaging made from renewable materials

37%



Suppliers and business partners that registered and attended the Responsible Sourcing Forum

90



2. CHOOSE

CONTINUED

In 2017, we co-hosted a Responsible Sourcing Forum in Kuala Lumpur, Malaysia, supported by the Consumer Goods Forum. The objectives were to raise Southeast Asian suppliers and business partners' awareness related to forced labor, deforestation and its social and environmental implications, and discuss on locally relevant compliance challenges. Around 90 suppliers and business partners registered and attended the event.

Supplier Sustainability Program: engaging with suppliers

We have a wide range of direct and indirect suppliers, ranging from small-scale producers to multinational businesses. Driven by our vision 'Share Value to Create Value', we want to share best practices with all our stakeholders and require all our suppliers to comply with Ferrero's Code of Business Conduct.

Adhering to the UN Guiding Principles of Business and Human Rights, we therefore, assess and assist them in managing their risks. Specifically, we have launched Supplier Sustainability Program, which aims to:

- Understand the human rights, social and environmental risks in all supply chains and address them through corrective actions; and
- Create a sustainable business model that benefits everyone and helps foster long-term relationships.

The Program comprises two key initiatives: Supplier CSR Assessment Initiative and Social & Ethical Compliance Initiative. We understand that collaboration is an important factor to generate positive impacts along the responsible sourcing journey. Therefore, we adopt a collaborative engagement approach in running both initiatives.

ecovadis

Supplier CSR Assessment Initiative

The Supplier CSR Assessment Initiative is a major component of the Program. We decided to implement a simple process to monitor and rate suppliers' environmental, social, and ethical performance through EcoVadis Supplier Sustainability Assessment Platform. The methodology covers 21 criteria across four main themes: environment, social, fair business practices, and sustainable procurement practices.

To start with we invited some 60 raw material suppliers in 2015 to take part in the project and 67 percent consented. They obtained an average score of 47.5/100, a higher value than the average recorded in the system. In 2016, an internal assessment was carried out. Five Ferrero agricultural companies were assessed with positive results.

The EcoVadis CSR Assessment solution helped us understand and monitor risks in our supply chain, while identifying best practices and areas for improvement. It also provided suppliers with a detailed analysis of their performance, allowing them to benchmark their position against sectorial practices and to effectively manage improvement.

FROM 2015-2017

- Launched seven assessments
- 530 suppliers were invited
- 280 were assessed
- Overall average score is 49.1/100*

However, as we strive for excellence, we have created a corrective action threshold in order to level the playing field of suppliers' CSR performance.

* Results as of December 2017



The overall average
score of the suppliers'
CSR performance

49.1/100

SURPRISE MATERIALS

Toys are an essential part of some of our products, and for this reason, our behavior and actions are based on a high level of responsibility towards all children.

For several years we have been carrying out an environmental impact assessment on the production of the toys for KINDER® products with surprises, in order to adopt the most appropriate choices and reach a reduction in the consumption of materials along the entire value chain.

In light of this, from 2013, the manual painting of KINDER® surprise toys has been replaced by an innovative printing system. This ensures a reduction in the quantity of vanish and solvents that are used and dispersed into the environment. At the same time, the machinery is being upgraded, with the aim of improving production efficiency and reducing consumption.



After this initial success we adopted the EcoVadis CSR Assessment model as the tool to assess and improve suppliers' CSR performance, renewing our partnership. In 2017, we expanded the assessment scope to packaging and logistics categories.

Between 2015–2017, we launched seven assessment campaigns. Around 530 suppliers were invited of which 280 were assessed. The overall average score is 49.1/100 compared to the EcoVadis average of 42.1. However, as we strive for excellence, we have created a corrective action threshold in order to elevate the playing field of suppliers' CSR performance.

A Pilot Sector Collaboration: AIM-Progress Supplier Sustainability Assessment Initiative

In 2017, we joined forces with other AIM-Progress members as a group of major FMCG companies committed to reduce supplier assessment fatigue through collaborative sharing of supplier CSR performance ratings and to set a common sectoral expectation on promoting responsible sourcing practices and sustainable supply chains. The one-year pilot was initiated in May 2017 with an objective to create a shared-platform to allow sharing of CSR performance ratings among AIM-Progress members.



Social & Ethical Compliance Initiative

Another key component of the Programme is the Social & Ethical Compliance Initiative. We recently implemented a social audit process to identify human rights and ethical risks of our supply chains. For this reason, we are engaging with Sedex (Supplier Ethical Data Exchange) to develop coverage of social audits at all tiers.

Sedex is a global non-profit membership organization and a collaborative platform for sharing data on supply chains. Its platform, Sedex Advance, allows us to request and verify availability of social audit reports from our suppliers. It covers four key areas: labor standards, health and safety, environment and business ethics. For Ferrero, Sedex enables us to further gain further visibility of our global supply chain, in order to manage risk as well as engage with our suppliers to improve standards.

We started a pilot project with Sedex in mid-2017 in three high focus countries – China, India and the Philippines. Around 70 local suppliers were identified in scope. To date, those suppliers had completed their self-assessment questionnaire. Determined by Ferrero's audit criteria, selected suppliers are further required to have an independent third party SMETA 6.0 (Sedex Member Ethical Trade Audit) audit performed at their sites. Audited suppliers are required, if needed, to implement corrective actions and re-audited to ensure compliance.



3. MAKE

OPERATIONS

1. ISO 14001 AND 50001 CERTIFICATION

We are committed to implementing and maintaining our Environmental and Energy Management System, compliant with ISO 14001 and ISO 50001 standards in our production plants and warehouses. At the end of FY 2016/2017, 18 plants and seven warehouses were ISO 14001 certified, while seven plants achieved ISO 50001 certification.

ISO 14001 certification is going to be extended by 2019 to the Hangzhou plant and by 2020 to the Walkerville, the Thorntons Plc plant (Alfreton – United Kingdom) and the remaining directly managed warehouses. Our project to bring 17 establishments under multisite ISO 50001 certificate by 2020 is confirmed.

The plants still awaiting certification have adopted a Environmental and Energy Management System, aligned with the ISO 14001 and ISO 50001 standards and regularly audited by the DISEE (Direzione Industrial Sustainability, Environment and Energy Management).

Overall, 17 internal audits were carried out at Group level during 2017, 13 of which jointly concerned the ISO 14001 and ISO 50001 standards. According to the consolidated program P.I.X.A. (program of exchange of auditors between establishments) aimed at the exchange of know-how and best practices within the Group, 27 cross auditors participated in 14 audits.

2. SAVE ENERGY

In recent years, we have focused on developing production plants that generate electricity and heat from cogeneration or trigeneration. We also use renewable sources wherever possible.

At the end of 2016/2017, we managed 11 cogeneration/trigeneration plants classified as operating, where applicable, at high-efficiency.



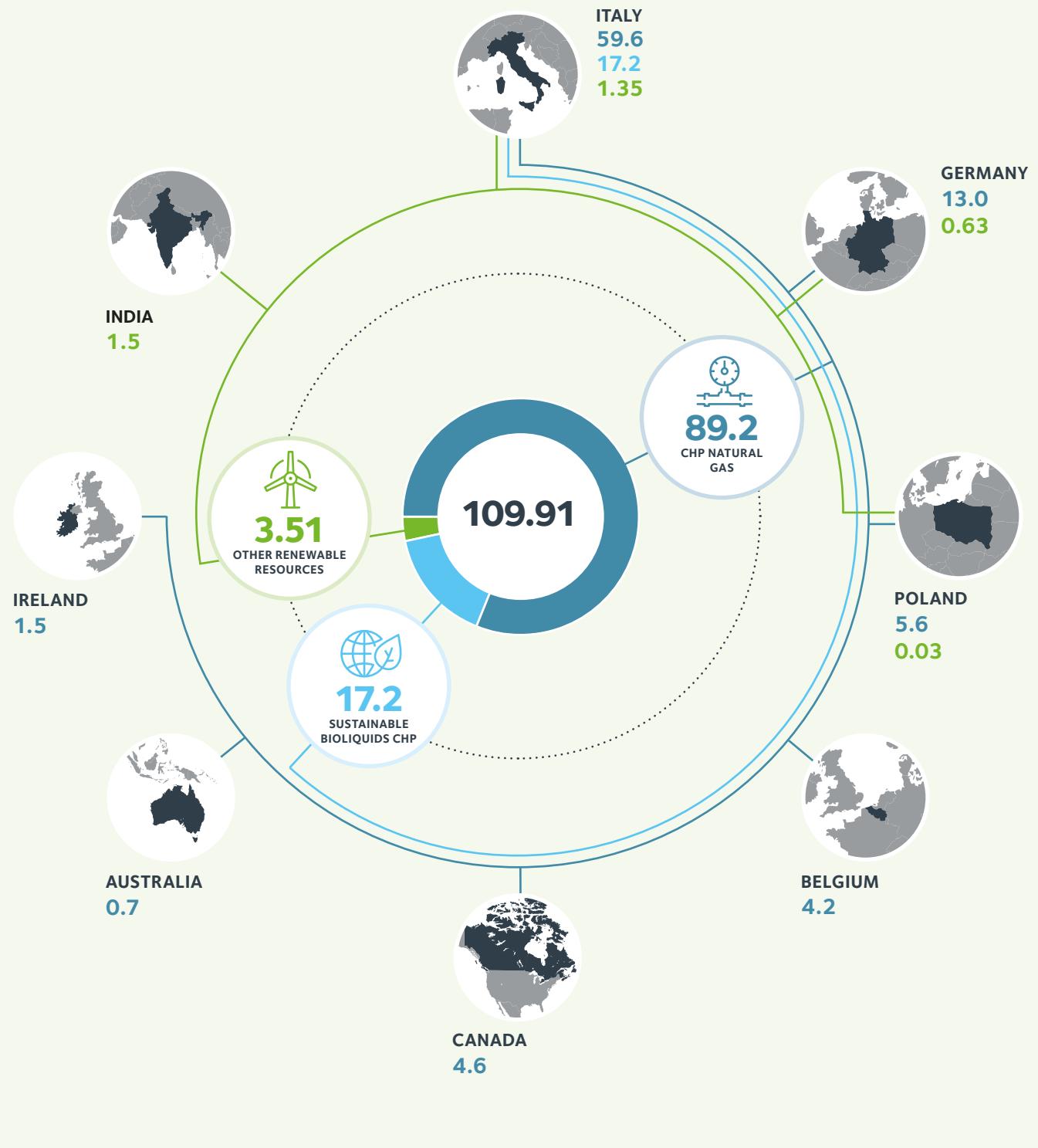
In recent years, we have focused on developing production plants that generate electricity and heat from cogeneration or trigeneration





PLANTS IN PRODUCTION SITES FERRERO

INSTALLED ELECTRICAL POWER (MW) AS OF 31 AUGUST 2017





3. MAKE

CONTINUED

In FY 2016/2017, we self-produced about 50% of all the electricity we consumed and 99% of the thermal energy needs of our plants.

19% of our installed power capacity uses renewable energy sources (see the picture in the previous page).

The following examples demonstrate our commitment to using renewable energy sources in our factories.



Percentage of our installed power capacity using renewable sources

19%

GOOD PRACTICE

ROOF TOP SOLAR PROJECT BARAMATI PLANT (INDIA)



In March 2017, Ferrero India completed the installation of a roof top solar plant in Baramati factory, with a capacity of 1.5 MW, which makes it the most powerful plant installed in the State of Maharashtra.

This plant covers an area of 22,000 square meters and generates energy equal to 2,250 MWh per year, with an annual reduction of carbon dioxide emissions of 1,926 tons.

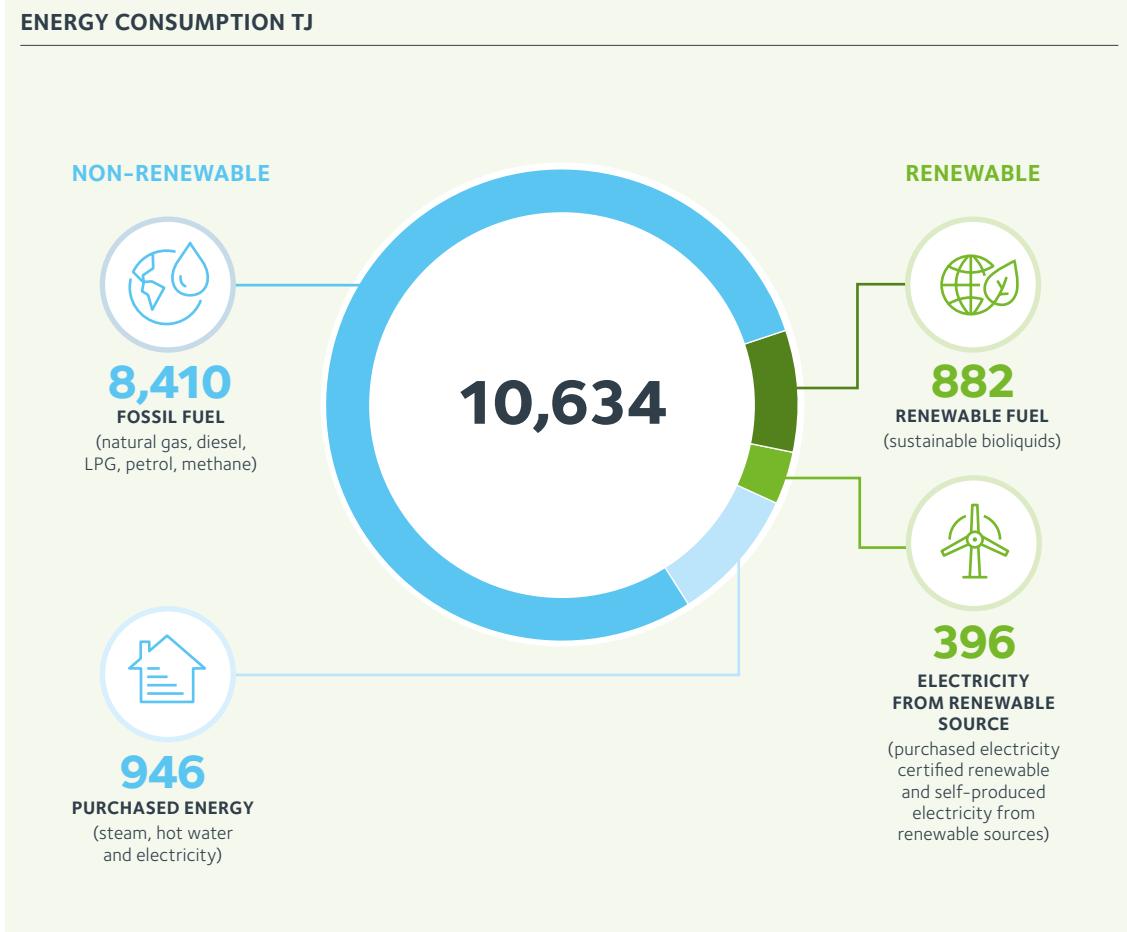
Roof top solar panels at our Baramati factory provide enough renewable energy to meet the daily needs of about 1,500-2,000 houses.



Roof top solar panels at our Baramati factory provide enough renewable energy to meet the daily needs of about 1,500-2,000 houses



ENERGY CONSUMPTION TJ



Resource use

Our production processes require energy in the following forms:

- electricity;
- heat
- both steam and hot water, at different temperatures;
- cooling, at different temperatures;
- compressed air;
- vacuum.

The chart above shows a breakdown of our energy sources. It includes energy used to run air condition in our production facilities, warehouses and offices.



3. MAKE

CONTINUED

Our two main energy sources are electricity and natural gas, accounting for around 90% of the total energy consumption of our production plants and directly managed warehouses. The Group's energy intensity ratio is 9.0 GJ/t,

The following table highlights some initiatives carried out during 2017 or the year before, most of which achieved energy savings during 2016/2017.



The Group's energy intensity ratio

9.0 GJ/t

ACTION		EXAMPLE OF ENVIRONMENTAL BENEFITS
Cooling energy production and distribution	Pumping system rationalization in cooling station	Annual measured saving in a large plant: 283,000 kWh of electrical energy
	Rationalization of storage temperatures	Annual estimated saving in a warehouse: 81,700 kWh of electrical energy
Energy efficiency in our production processes	Use of a more energy-efficient technology for product handling	Annual measured saving in a line: 1,426,400 kWh of electrical energy
	Improvement of a production process with positive effects on energy consumption	Annual measured saving: 113,300 kWh of electrical energy
Lighting systems	Replacement of low efficiency lamps with high efficiency lamps	Annual measured saving in a large plant: 47,500 kWh of electrical energy
Thermal recovery	Thermal energy recovery from air compressors	Annual measured saving for two compressors: 1,200,000 kWh of thermal energy
	Thermal energy recovery from condensate circuit	Annual measured saving in a large plant: 7,800,000 kWh of thermal energy
Air conditioning	Variation of ventilation in production areas	Annual measured saving in a mid-sized plant: 400,000 kWh of electrical energy
	Reduction of conditioned volume	Annual measured saving in two warehouses: 125,000 kWh of electrical energy
Compressed air	Reduction of compressed air pressure	Annual estimated saving for two compressors: 60,000 kWh of electrical energy



3. MANAGE WATER

Water

Around the world, water resources are under pressure from climate change, population growth and industrial processes. We consider water to be one of the most important natural resources and recognize the need to protect and promote it, through sustainable management of the entire water cycle, with an emphasis on reducing the water we use.

During 2016/2017, we introduced a number of initiatives to reduce water consumption, including those designed to improve cooling circuits, optimize the efficiency of molding washing machines, reduce water losses in our grids and enable the reuse of rainwater.

Our water consumption ratio for FY 2016/2017 was 3.70 m³/t, in line with the previous year, despite the new initiatives we launched. This is primarily due to the inclusion of the Hangzhou plant in the scope of this report. The following case studies explain some of our water initiatives in more detail.



Water resources

1. Other	0%
2. Water main	57.6%
3. Well water	27.5%
4. River water	14.9%

GOOD PRACTICE:

COLLECTION AND REUSE OF RAINWATER BELSK PLANT (POLAND)



At our Belsk plant we have designed and built a new warehouse and production facility, taking a proactive approach to environmental and energy sustainability.

Both buildings are equipped with underground concrete tanks that collect rainwater for reuse. The tank serving the warehouse, which has a capacity of 330 m³, collects water that is first treated then used for cooling processes and for filling the pumping system used for heating. The water collected in the tank beneath the new production facility (capacity of 240 m³) is also treated then used for spraying dry coolers and for humidification in the air handling units.

After these processes the water is returned to the tanks for further reuse.

This project is helping us to save and reuse scarce water resources, so that we withdraw less and leave it available for other users.



This project is helping us to save and reuse scarce water resources, so that we withdraw less and leave it available for other users



3. MAKE

CONTINUED

Wastewater

We are working continuously to reduce the level of pollutants in our waste water, by finding alternative or more efficient washing methods, training staff and using environmentally friendly products. The following case study highlights one of the ways that we are doing this.



Wastewater

1. Sewage	94.1%
2. Surface water	4.4%
3. Ground and underground	1.5%

TREATMENT WASTEWATER – BEST CASE

TREATMENT BY EVAPORATOR SYSTEM BRANTFORD (CANADA)



In FY 2016/2017, Ferrero Canada installed and brought into operation a treatment plant in the Brantford plant (Ontario) in order to improve the quality of the waste water coming from the Tic Tac production process.

The wastewater treatment takes place by evaporation following a filtration step to separate any coarse and boiling materials.

After further treatment phases the wastewater, periodically monitored, is discharged and sent to an external treatment plant while the concentrate is purchased from a local company that produces energy, in a circular economy perspective.



After further treatment phases the wastewater, periodically monitored, is discharged and sent to an external treatment plant while the concentrate is purchased from a local company that produces energy, in a circular economy perspective

**GOOD PRACTICE**

PRODUCTION OF BIOFUEL FROM OLEINES ALBA PLANT (ITALY)

A new project has been launched at the Alba plant, aimed at optimizing the exploitation of by-products, in particular of oleines coming from the oil refining process.

This project will produce biofuel from exhausted oleines, for the production of electrical and thermal energy. The use of biofuels translates into an effective improvement of environmental quality in terms of reducing greenhouse gas emissions.

The Ferrero Group has started the certification process for the reuse of oleines (including those deriving from used bleaching grounds) in line with current legislation.

The option of using these bioliquids as fuel in cogenerators at Ferrero factories in Balvano and Sant'Angelo dei Lombardi is currently under study, following the Group principles.



The option of using these bioliquids as fuel in cogenerators at Ferrero factories in Balvano and Sant'Angelo dei Lombardi is currently under study, following the Group principles

**Waste recovery****95%****4. AVOID WASTE**

For many years, we have been committed to reducing waste in all our activities, in line with the principles of the circular economy.

We promote the reuse and recovery of materials widely and, if neither reuse nor recovery is technically possible, dispose of our waste using the method that has the least environmental impact, with landfill chosen as the very last option.

In FY 2016/2017, our waste recovery rate was 95.0%¹³, in line with the previous FY. From this FY the reporting scope includes the Hangzhou plant (China).

Audits of our waste management suppliers are carried out by each Ferrero plant, following a three-year plan.

We have launched a series of measures aimed at reducing waste, including projects to raise employees' awareness of this issue, to improve the efficiency of production lines and packaging, and through re-allocation of production waste to the feed chain.

¹³ This value contains also thermal recovery.

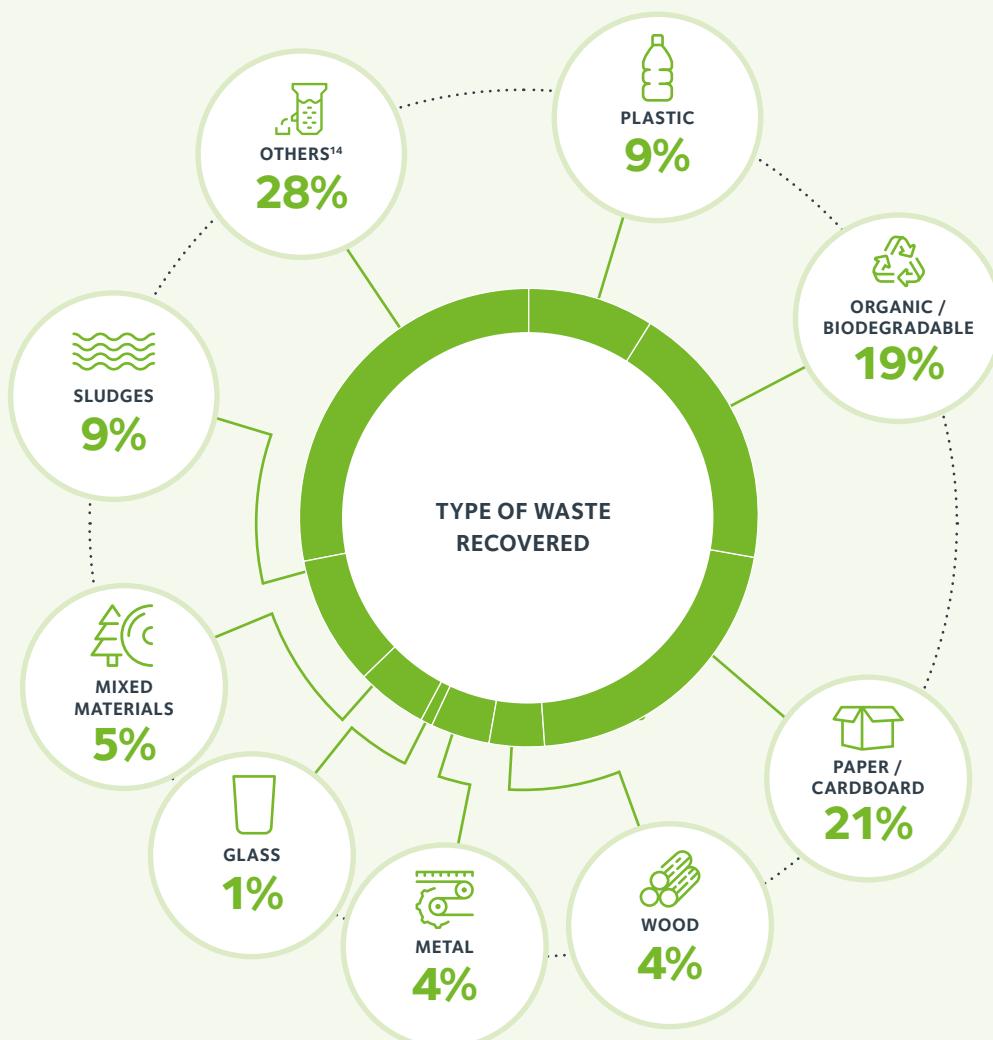


3. MAKE

CONTINUED

The following chart provides the distribution by weight of the different type of waste recovered in the 19 production plants and 13 directly managed warehouses:

¹⁴ The category defined "Others" includes waste from maintenance and building activities, laboratories, etc. not included in the specified categories.





5. CO₂ EMISSIONS

Since 2009, we have measured our Carbon Footprint annually, committing to gradually increase our boundaries, in order to identify impact of the entire supply chain¹⁵ of our products and to grow as a low emissions business.

We adopt a Life Cycle Thinking (LCT) approach, which considers the different stages of a product's life and its main environmental impacts, including the phases that are not under our direct control.

The CO₂eq emissions from our production activities¹⁶ and directly managed warehouses (Scope 1 and Scope 2) equaled 540,481 tonnes in FY 2016/2017, or 9.2% of the total emissions in FY 2016/2017.

The Scope 1 includes direct emissions (equals to 440,053 tonnes) and the Scope 2 refers to indirect emissions deriving the quantities of purchased electricity, heat or steam (equals to 100,428 tonnes).

In the 2016/2017, our Scope 2 emissions were down by 23% compared to the previous year, due to the increase in green energy purchased, mainly for the Belsk plant.

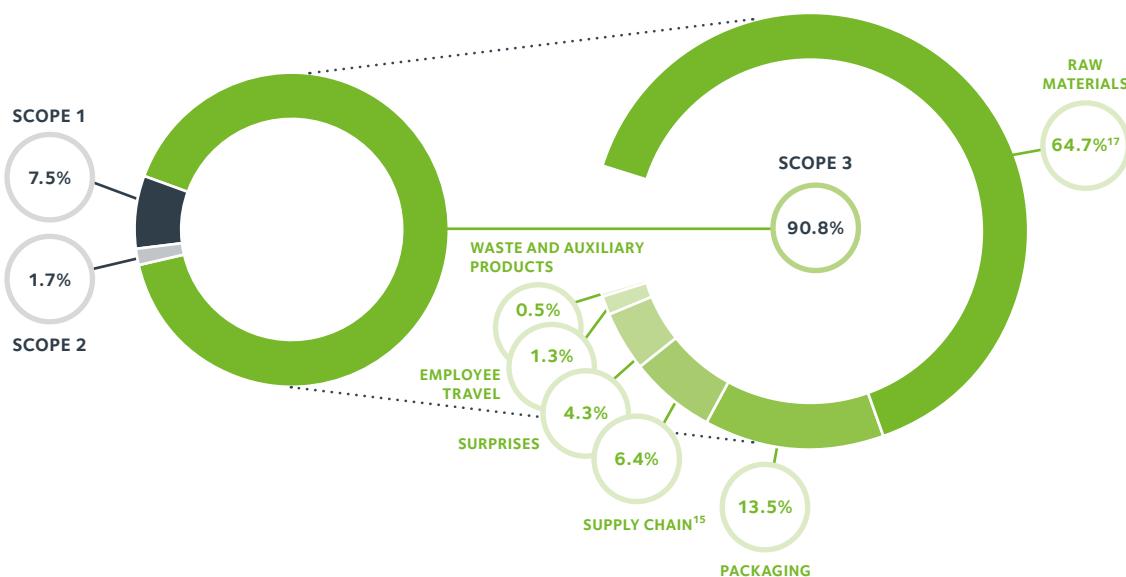
Emissions for which we have indirect responsibility (Scope 3) were equal to 5,344,735 tonnes of CO₂, or 90.8% of total emissions, whilst the cultivation and production of agricultural raw materials is our biggest source of environmental impact (64.7%).

The increase in our overall CO₂eq emissions is mainly due to the inclusion of emissions from the Hangzhou plant in the reporting scope.



We adopt a Life Cycle Thinking (LCT) approach, which considers the different stages of a product's life and its main environmental impacts

CO₂ EMISSIONS



15 For Supply chain:

- The operational boundary relates to products delivered from the first supplier to the client
- Data is provided by external partners that partly contain estimates/statistical data

16 The GHG emissions resulting from energy consumption on plant level are calculated in tCO₂ emissions and not tCO₂eq emissions.

17 Minor change of database: Due to improved data availability of some extra-perimeter factories, the comparability to last year's report is slightly reduced.



3. MAKE

CONTINUED

6. PRESERVE BIODIVERSITY

We can generate impacts through our direct activities or along the supply chain. Given the sector in which we operate, biodiversity, deforestation and land use are of primary importance to us.

None of our plants are located in protected or highly biodiverse areas (source: internal survey and, for the European areas only, EEA site of the European Environment Agency). In some cases there are protected areas near our factories (less than 2 km away), please refer to previous CSR reports for the mapping.



**Given the sector
in which we operate,
biodiversity,
deforestation and land
use are of primary
importance to us**





4. STORE AND DELIVER

Our supply chain department is responsible for storing, shipping and transporting many different materials, including raw materials and packaging to our factory plants or finished products to our clients. They do this in ways designed to reduce our environmental impact.

Our FY 2016/2017 emissions from freight transport and storage were 393,076 tonnes CO₂eq, a 2% decrease in absolute values from the previous year. This figure drops even more (if compared per tonnes sold) by 4% per tonne sold compared to FY 2015/2016.

These reductions were possible thanks to the implementation of several projects aimed at controlling and lowering CO₂ emissions from the supply chain.

ISO 14001 Certification

Three additional Italian warehouses were certified ISO 14001 during FY 2016/2017, bringing the number of certified Italian warehouses, managed directly by Ferrero and located outside the plants, to seven.

Pallets

The choice of a pallet system can contribute significantly to the environmental performance of a supply chain. To reduce the use of resources and the amount of waste and emissions, we have partnered with CHEP and adopted two of its shared and reusable solutions:

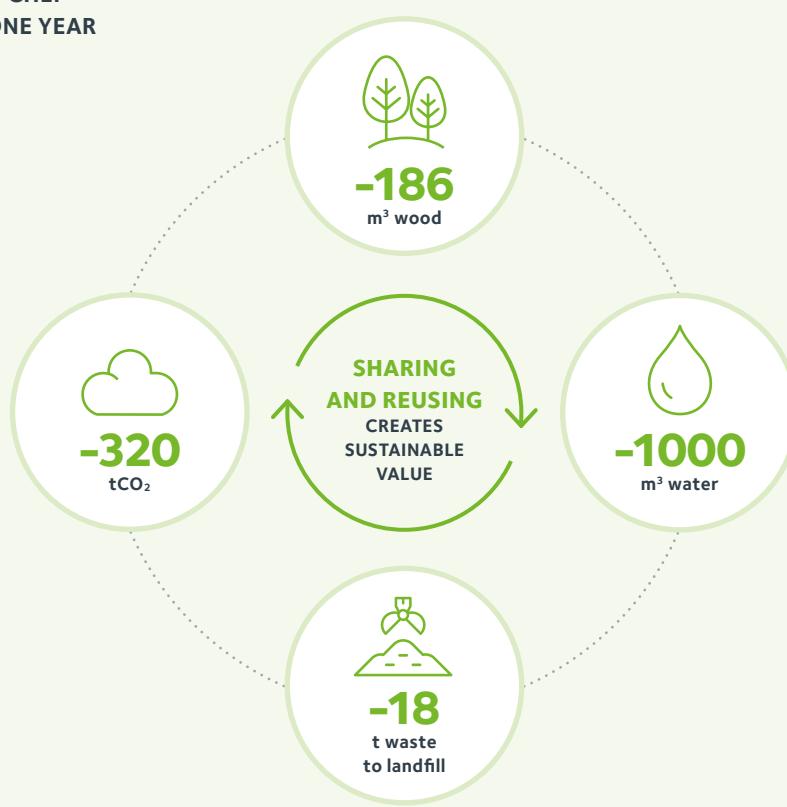
- Standard pallets, 100% made of wood coming from certified sustainable sources.
- Quarter pallets, an innovative and certified carbon neutral platform through reforestation and emission reduction projects.

Through direct agreements, such as those we have in Europe and Canada¹⁷, or through third-party suppliers who adopt this solution for our transports, as in the United Kingdom, we have increased the volume of shared and reusable CHEP pallets, achieving following environmental benefits¹⁸ during FY 2016/2017:

¹⁷ The environmental savings of Canada have not been included in the results.

¹⁸ CHEP – March 2018; Environmental Assessment of CHEP pallets December 2012 INTERTEK, RDC Environment.

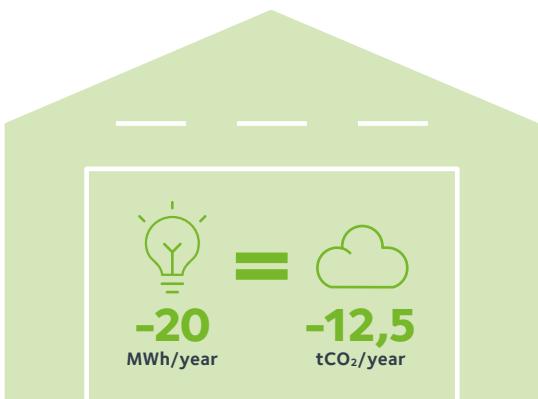
INCREASE OF CHEP PALLETS IN ONE YEAR





4. STORE AND DELIVER

CONTINUED



New light for our warehouse

This year we replaced the existing lighting at our warehouse in Monastir with a more energy efficient LED system, achieving important annual savings.

Natural gas

During FY 2016/2017, we continued our efforts to achieve better environmental performance in our transport operations. For example, our use of natural gas fueled trucks for domestic transports in Italy increased by 23%.



Increased use of natural gas-fueled trucks for domestic transport in Italy during FY 2016/2017

+23%





5. YOU

END OF USE

CONSUMER ENGAGEMENT

How can we support our consumers? An insight on packaging labeling.

We adopt an end of life label system, based on pack labeling norms (EU decision 97/129). The packaging material is identified by a number and abbreviation, which is valid in most countries. To help consumers understand the meaning of this technical information we translate it into familiar terms: paper, plastics, aluminium and composite. In line with local waste management systems, consumers in every country can check which packaging waste bin their packaging should be placed in after use.

End of life label instructions are meant to help consumers manage packaging waste correctly. Different countries have specific local regulations and waste management streams and a “one label fits all” approach does not work. Due to limited space on pack, we sometimes direct consumers to our websites for greater detail about packaging disposal (see our KINDER® website). We are exploring other digital opportunities to share this important information with consumers.

Working with consumers to tackle litter

How can consumers help us ensure that packaging is not thrown away and is recycled to preserve resources? By helping us to dispose of it correctly, in line with local waste management instructions. To help our consumers, we have collected some interesting information from recycling guides^{19 20 21}.

- Did you know that it's best to flatten a plastic drink bottle? Flattening reduces its volume and makes it easier to sort and recycle.
- If you have more than one piece of plastic packaging it is better not to put them inside each other – doing this makes it harder to separate out different types of plastic.
- It is often best to keep the bottle cap on the bottle so it is not lost and can be separated as secondary or creative reuse during the final stage of recycling.
- It is best to roll aluminium foil into a ball before you put it in the recycling bin.

We encourage our consumers to reuse rigid packaging as many times possible and to manage all packaging responsibly according to local instructions.

In future, we will be more and more active to support and sensitize our consumer to be an active positive part of virtuous supply chain!



PLASTIC PACKAGING LABELING

Example of plastic packaging labeling. The triangle symbol with a number inside represent a universal identification code for the specific plastic material. Numbers 1 to 6 correspond to specific plastics, while 7 is used for all other plastics or combination of plastics. Check with your local waste regulations to find out whether or not all plastics materials go in the same bin. Please help us put each material in the right disposal stream.



5. YOU

CONTINUED

MAKE THE DIFFERENCE AND DIFFERENTIATE

Our main packaging: discover the materials

NUTELLA®



REUSE* the jar! Let's see how: get inspired and share your ideas with us!



www.nutella.com/de/de/diy

Interesting info for you:

Manage them according to your local collection system: help us to put them in the right bin!

* secondary reuse suggestion

NUTELLA&GO



Separate top and bottom and manage them according to your local collection system: help us not to lose recyclable materials.

Interesting info for you:

The plastic container guarantees mechanical resistance for on-the-go use and aluminium seal protects food and is easy to separate in order to recycle individual components.

FERRERO ROCHER



REUSE* the box! Let's see how: get inspired and share your ideas with us!



www.ferrero-rocher.com/en/int/tips-and-ideas#query=&filters%5B%5D=box+reusage

Interesting info for you:

Manage them according to your local collection system: help us to put them in the right bin and recycle them!

KINDER BUENO



We developed very light weight packaging: don't waste our effort, put it into a bin!

Interesting info for you:

Our snacks do not use composite film, they use plastic film with a sort of aluminum varnish³, this is why this material is labeled as plastics packaging.

³ It is the so called metallized film, where a special process allow to "spray" aluminum molecules on plastic film to guarantee same protection with very few atoms of material instead of using an aluminum film to create a complex multimaterial film.

KINDER CHOCOLATE



Play with the box! The game continues in the box! Last year KC mignon box 100g had a picture to color inside!

Interesting info for you:

KC envelope is a composite material with prevalence of paper. In several countries this packaging can be collected with other packaging: please help us recover these materials by checking local instructions.

KINDER SURPRISE



Interesting info for you:

Manage the pack elements according to your local collection system: help us not to lose valuable materials like aluminum wrap and barilotto!

TIC TAC



TIC TAC Transparent box delivers brand icon message, mechanical resistance for on-the-go use and recyclability criteria (monomaterial, recyclable plastic).

Interesting info for you:

Manage pack elements according to your local collection system: help us not to lose valuable materials.



VALUE CHAIN METHODOLOGICAL NOTE

As a confectionery business, we use ingredients that grow mainly in tropical areas. Consequently, our first responsibility is measuring the impact of the entire supply chain of our products. Only by having a clear vision of our own impact, can we manage and reduce it. Since 2009, we have measured our Carbon Footprint annually, committing to gradually increase our boundaries.

Since FY 2013/2014, with the launch of the FER-Way – Ferrero Environmental Responsibility Way – project, aimed at the good management of environmental sustainability, we have been working to improve the accuracy of our data; to include additional sources of indirect emissions and to redefine indicators and measurement parameters, according to the most recent scientific developments.

Over the past few years we have launched several LCA studies focused on our main agricultural raw materials. This are aimed at providing accurate data on the environmental impact of the production of our agricultural raw materials. Once the most critical production areas for each raw material are identified, we will launch projects to support more efficient production schemes. To date, studies have already been carried out or initiated on Turkish hazelnut plantations, Italian dairy farms, with our main European sugar suppliers and in the palm oil supply chain.

Data perimeter report

Data covers the entire period of FY 2016/2017.

The environmental data refers to:

- plant data (19 plants²² with 35 internal warehouses);
- self-produced energy;
- external warehouses directly managed by Ferrero (13);
- 200 external warehouses not directly managed by Ferrero;
- production and transport of KINDER® surprises;
- the transport of semi-finished and finished products;
- business trips for employees of the main Group companies and work-home trips for all Group employees²³.

With regards to all environmental data not currently included in the perimeter report or not specifically mentioned, we are increasing our efforts to include them in future reports.

Our total raw materials figure includes totals for: agricultural raw materials, including the water used in the recipes of Ferrero products; packaging of raw materials; raw materials for toys; supplementary materials in production processes. Data relates to 19 production plants and 13 directly managed warehouses.

19 Linee guida per la facilitazione delle attività di riciclo degli imballaggi in materiale plastico, conai 2017.

20 <http://www.ebpb.org/download/211/qt-502-sink-float-separation>

21 http://www.cial.it/wp-content/uploads/2016/02/CIAL_Design-for-Recycling.pdf

22 The following production plants are excluded from this calculation: Cameroon, South Africa and the Thorntons Plc plant in Alfreton. GHG scope 3 data includes additionally Thorntons (only FMCG) and Imsoler.

23 The estimate of the Group was calculated based on a sampling investigation carried out on the Alba plant, which involved around 900 employees during FY 2014/2015. The investigation was carried out as part of the project "GHG inventory calculation methodology relating to the production of confectionery products. Case study: Alba factory – Ferrero Group".



FER-WAY PROJECT MEASURED AREAS





Not included in the
FER-Way project
measured area





KEY DATA AND METHODOLOGICAL NOTES

ENVIRONMENTAL DATA

Data collections

We manage the collection and analysis of plant data through an internal platform called SuRe (Sustainability Reporting). This tool allows better management, flow optimization and data transfer.

Standards and methodologies

In calculating the Carbon Footprint, the following standards and methodologies were used:

- The calculation of GHG Emissions scope 1 and 2 partially aligned with the Corporate Accounting and Reporting Standard – GHG Protocol – developed by the World Resources Institute (WRI) with the World Business Council for Sustainable Development (WBCSD), today used globally as the main internationally recognized measurement tool and carbon reporting standard;
- Publicly Available Specification PAS 2050:2011, based on ISO 14044 standard and developed with DEFRA, Carbon Trust and British Standard Institute (BSI) and focused exclusively on greenhouse gas emissions in the entire product life cycle;
- ISO 14040 and ISO 14044 Life Cycle Assessment (LCA) standards, including the relevant Principles and Reference Framework, Requirements and Guidelines.

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, whereas for glass and aluminium the data comes from the suppliers' surveys and takes into account the different 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 CO2 emission coefficients of the country's electricity generation systems are derived from the database attached to the document "IEA CO2 Emissions from FUEL COMBUSTION Highlights (2015 Edition)" (data referring to 2013) and from the Ecoinvent 3.1 database.

For Scope 3 GHG calculations the sources are mainly commercial databases (i.e. Ecoinvent 3.1, IEA) as well as some specific datasets developed internally. The emission factors related to the conversion of energy from fuels come from the UNFCCC Italian inventory (average values for the years 2012-2014).

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. The lack of emissions of the share of electricity input into the grid from plants powered by renewable sources of S. Angelo Dei Lombardi and Balvano was attributed to us.



We manage the collection and analysis of plant data through an internal platform called SuRe (Sustainability Reporting)

ENERGY		UNIT	2015/2016*	2016/2017**
Green energy consumption	%		9.90%	12.00%
Energy linked to the fuel used in sustainable bioliquids plants	GJ		785,635	881,784
Energy consumption from eolic and solar plants	GJ		7,368	9,833
Purchased electric energy certified renewable	GJ		424,714	619,665
Energy intensity ratio	GJ/t		9.0	9.0
Total energy consumption	TJ		10,310	10,634
Total fuel consumption	TJ		8,873	9,292
from non-renewables	TJ		8,088	8,410
from renewables	TJ		786	882
Total electricity consumption (electricity sold excluded)	TJ		1,361	1,186
from non-renewables	TJ		1,122	791
from renewables	TJ		239	396
Steam or hot water consumption	TJ		76	155
Electricity and natural gas contribution on the total for Plants and managed Warehouses	%		91%	87%
Plants – Self produced electric energy over total	%		51%	50%
Plants – Self produced thermal energy over total	%		99%	99%

AIR EMISSIONS		UNIT	2015/2016*	2016/2017**
Total GWP Emissions	t CO ₂ eq		5,720,587	5,885,216
GWP Scope 1 emissions	t CO ₂ eq		424,406	440,053
GWP Scope 2 emissions	t CO ₂ eq		129,681	100,428
GWP Scope 3 emissions	t CO ₂ eq		5,166,500	5,344,735
Plants and managed Warehouses GWP emission ratio (Scope 1&2 only)	kg CO ₂ eq/t		481	460
Refrigerant gases: ODP contribution	kg R11eq		85	70
Refrigerant gases: GWP contribution	t CO ₂ eq		14,190	16,474



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

WATER		UNIT	2015/2016*	2016/2017**
Water consumption		m ³	4,262,608	4,349,387
	from water main	%	55.00%	57.60%
	from well	%	28.60%	27.50%
	from river	%	15.40%	14.90%
	from other sources	%	1.00%	0.00%
Water consumption ratio		m ³ /t	3.7	3.7
Wastewater		m ³	3,126,684	3,183,363
	Sewage	%	93.80%	94.10%
	Surface water	%	4.70%	4.40%
	Ground and underground	%	1.50%	1.50%

WASTE		UNIT	2015/2016*	2016/2017**
Waste production ratio		kg/t	88.8	85.9
Total waste		t	102,299	100,975
Percentage of recovered waste		%	95%	95%
Types of waste recovered by weight	Plastic	%	9%	9%
	Organic/Biodegradable	%	19%	19%
	Paper/Cardboard	%	20%	21%
	Wood	%	4%	4%
	Metal	%	3%	4%
	Glass	%	1%	1%
	Mixed Materials	%	5%	5%
	Sludges	%	9%	9%
	Others***	%	30%	28%
Number of significant spills or leaks of hazardous waste, or accidents involving hazardous waste		n.	0	0

OTHER FIGURES		UNIT	2015/2016*	2016/2017**
Total raw materials used		t	1,830,272	1,849,430
Recycled materials in packaging		%	39%	36%*
Renewable materials in packaging		%	37%	37%

* Data is based on current suppliers compositions and specific recycled content data by geographical area or products composition. The volumes of packaging materials we use are clearly related to the packaging designs specified for our different products.

* Data related to "Energy", "Water" and "Waste" refer to 18 production plants (excluding Cameroon, South Africa, China and Thorntons Plc plant in Alfreton) and to 13 warehouses directly managed by Ferrero. The plant in China is only included in the table "Other figures" and figures "GWP Scope 3 Emissions" and "Total GWP Emissions" within the "Air emissions" data. FY 2015/2016 data were uploaded according to adjustments made after 2016 CSR report publication.

** Data relating to 19 production plants (excluding factories in Cameroon, South Africa and Thorntons Plc plant in Alfreton) and to 13 warehouses directly managed by Ferrero.

*** This category includes waste from maintenance and building activities, laboratories, etc. not included in the specified categories.

PEOPLE DATA

Health and Safety

When taking into account geographic area, work-related injuries can be broken into two major areas: Europe and outside Europe.

Excluding commuting accidents in Europe, there was a reduction in our injury frequency index (-15% compared to the previous year) and an increase in our injury severity index (+12% compared to the previous year). In the outside Europe area, there was an increase in our injury frequency index (+18% compared to the previous year) and a decrease in our injury severity index (-19% compared to the previous year).

FERRERO GROUP (INDUSTRIAL & SUPPLY) SAFETY PERFORMANCE BY GEOGRAPHIC AREA*

ACCIDENT FREQUENCY RATE		2013/2014	2014/2015	2015/2016	2016/2017
	Europe	11.8	10.75	11.07	9.37
	Outside Europe	5.91	5.05	4.55	5.39
ACCIDENT SEVERITY RATE		2013/2014	2014/2015	2015/2016	2016/2017
	Europe	0.24	0.28	0.25	0.28
	Outside Europe	0.08	0.13	0.16	0.13

* Excluding commuting accidents.

We regret to report that during FY 2016/2017 a fatality, involving a contractor's worker who was undertaking maintenance, occurred at a Ferrero plant in Europe.

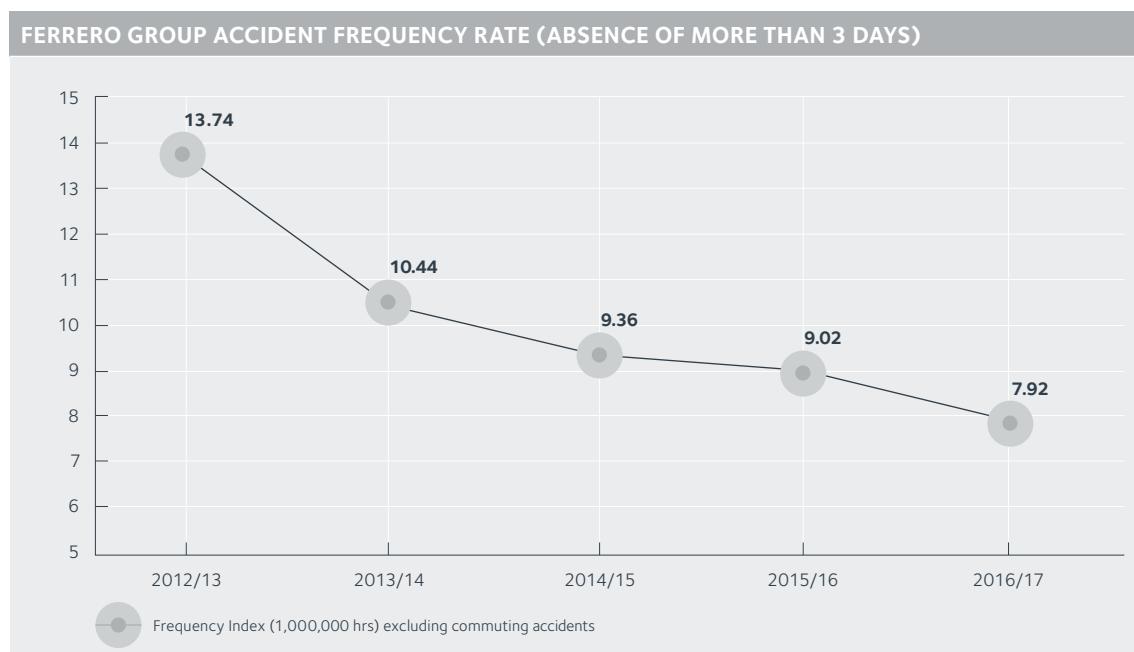


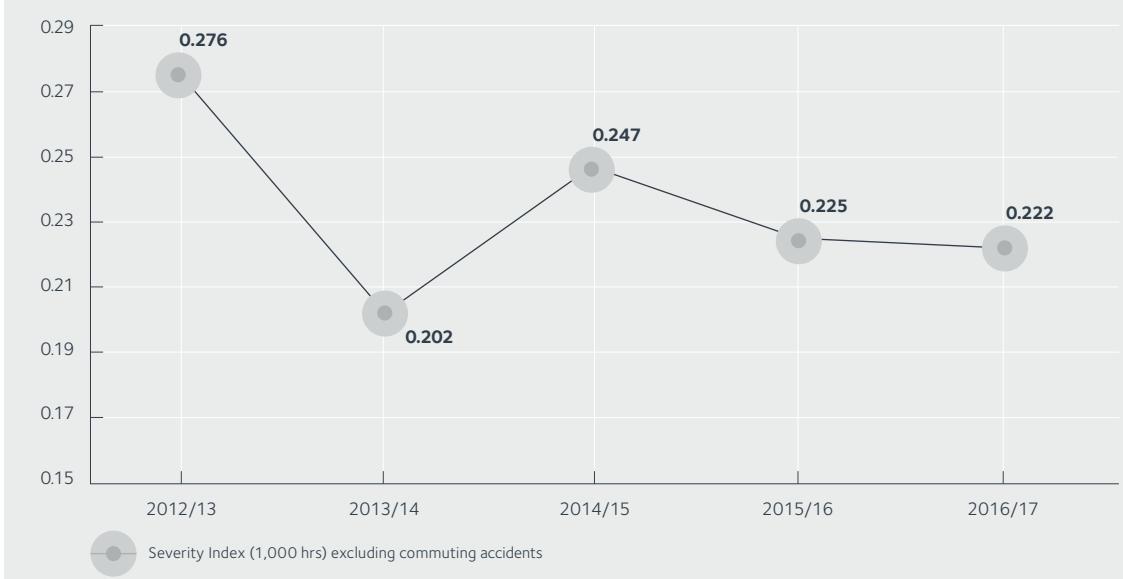
KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

FERRERO GROUP (INDUSTRIAL AND SUPPLY) SAFETY PERFORMANCE*					
YEAR	2012/13	2013/14	2014/15	2015/16	2016/17
Frequency Rate (1,000,000 hrs)	13.74	10.44	9.36	9.02	7.92
Severity Rate (1,000 hrs)	0.276	0.202	0.247	0.225	0.222

* Excluding commuting accidents.



FERRERO GROUP ACCIDENT SEVERITY RATE



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

Training data

TRAINING CATEGORY	TRAINING HOURS
Coaching*	90,660.25
Development programs**	26,310.5
Finance	3,698
Group on-boarding	12,958
Human resources	30,686
Industrial	102,889.46
Information technology	14,739.77
Languages***	56,989
Leadership skills	43,847
Legal	5,141.5
Local on boarding	7,577
Marketing	11428
Mentoring	5,147
Packaging	208
Procurement	3,219
Professional know how	76,085
Research & development	2,671.81
Sales	29,232
Supply chain	2,748
IT	53
Grand total	526,288.29

TRAINING AREA	PARTICIPATIONS	TRAINING HOURS
Welcome to Ferrero	2049	20,535
Ferrero know how	35968	282,799.54
Ferrero leaders	4063	43,847
Development****	10939	122,117.75
Foreign languages	4236	56,989
Grand total	57255	526,288.29

GENDER	TRAINING HOURS	HOURS PER CAPITA
Female	205,687.33	16
Male	320,600.96	19
Grand Total	526,288.29	17.4

EMPLOYEE CATEGORY	TRAINING HOURS	HOURS PER CAPITA
Blue Collar	216,217.3	12.1
White Collar	228,555.3	24.7
Middle Manager	66,271.54	29.2
Senior Manager and above	15,244.15	16.4
Total	526,288.29	17.4

* Includes on-the-job training.

** All activities offered and related to the further development of employees and not covered in other Training Areas (e.g. YOU workshops, Team building, Diversity training etc.).

*** All language training provided e.g. English, Italian, Spanish, French, and Portuguese.

**** Covering training such as Coaching, Mentoring and Development programs.

Workforce data

EXACT WORKFORCE OF THE GROUP AS OF AUGUST 31ST*		
N. EMPLOYEES	AS OF 31/08/2016	AS OF 31/08/2017
Total	30,132	30,829
Of which women	44.2%	44.1%

* Exact workforce figures include employees who are employed directly by Ferrero as of August 31st, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation, but excluding those of Thorntons Plc. and Fannie May.

GROUP WORKFORCE BY TYPE OF CONTRACT				
TYPE OF WORK CONTRACT	AS OF 31/08/2016		AS OF 31/08/2017	
	N. EMPLOYEES	%	N. EMPLOYEES	%
Fixed term	7,237	24%	7,254	23.5%
Permanent Contract	22,895	76%	23,575	76.5%
Total	30,132	100%	30,829	100%
TYPE OF WORK CONTRACT	AS OF 31/08/2017			
	EUROPE	%	OUTSIDE EUROPE	%
Fixed term	4,707	15.3%	2,547	8.3%
Permanent Contract	14,738	47.8%	8,837	28.7%
Total	19,445	63.1%	11,384	36.9%



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

GROUP WORKFORCE BY TYPE OF CONTRACT				
PART-TIME/FULL-TIME	AS OF 31/08/2016		AS OF 31/08/2017	
		%		%
Part-Time		3.9%		4.3%
Full-Time		96.1%		95.7%

GROUP WORKFORCE BY CATEGORY				
EMPLOYEE CATEGORY	AS OF 31/08/2016		AS OF 31/08/2017	
	N. EMPLOYEES	%	N. EMPLOYEES	%
Blue Collar	18,203	60.41	18,389	59.6
White Collar	8,811	29.24	9,144	29.7
Middle Manager	2,196	7.29	2,357	7.6
Senior Manager	922	3.06	939	3.0
Total	30,132	100.00%	30,829	100.00%

GROUP WORKFORCE BY AGE AND GENDER				
AGE GROUP	AS OF 31/08/2016		AS OF 31/08/2017	
	% WOMEN	% MEN	% WOMEN	% MEN
<30	45.9	54.1	45.5%	54.5%
30 – 50	44.5	55.5	44.4%	55.6%
>50	41.8	58.2	42.0%	58.0%

GROUP WORKFORCE BY AGE AND CATEGORY				
EMPLOYEE CATEGORY	AS OF 31/08/2017			
	<30	30 – 50	>50	
Blue Collar	14.1%	30.7%	14.8%	
White Collar	6.1%	19.8%	3.7%	
Middle Manager	0.4%	5.7%	1.6%	
Senior Manager	0.0%	1.7%	1.3%	
Total	20.6%	58.0%	21.4%	

GROUP WORKFORCE AT AUGUST 31ST						
	2016			2017		
	TOTAL N. EMPLOYEES	WOMEN %	MEN %	TOTAL N. EMPLOYEES	WOMEN %	MEN %
Geographical Area						
Europe	18,893	42.45%	57.55%	19,445	42.5%	57.5%
Outside Europe	11,239	47.20%	52.80%	11,384	46.9%	53.1%
Employee category						
Blue collar	18,203	48.1%	51.9%	18,389	47.3%	52.7%
White collar	8,811	42.4%	57.6%	9,144	43.4%	56.6%
Middle Manager	2,196	32.1%	67.9%	2,357	33.1%	66.9%
Senior Manager	922	14.4%	85.6%	939	15.3%	84.7%
Type of contract						
Permanent contract	22,895	40.9%	59.1%	23,575	41.2%	58.8%
Fixed contract	7,237	54.6%	45.4%	7,254	53.7%	46.3%
Part Time/Full Time						
Part-Time	1,186	79.2%	20.8%	1,319	78.5%	21.5%
Full-Time	28,946	42.8%	57.2%	29,510	42.6%	57.4%
Total	30,132	44.2%	55.8%	30,829	44.1%	55.9%

Personnel turnover

During the Fiscal Year 2016/2017, the Ferrero Group hired 3,382 new employees, of which 1,485 are women and 1,899 are men.



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

OUTGOING AND INCOMING TURNOVER BY AGE – EUROPE						
2015/2016						
EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	104	115	219	241	261	502
30–50	114	147	261	107	168	275
>50	95	145	240	14	15	29
Total	313	407	720	362	444	806
%	3.90	3.74	3.81	4.51	4.08	4.27
2016/2017						
EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	88	125	213	239	344	583
30–50	177	224	401	165	327	492
>50	126	194	320	9	23	32
Total	391	543	934	413	694	1,107
%	4.88	4.99	4.94	5.15	6.38	5.86
OUTGOING AND INCOMING TURNOVER BY AGE – EXTRA EUROPE						
2015/2016						
EXTRA EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	377	470	847	688	858	1,546
30–50	440	632	1,072	618	712	1,330
>50	111	113	224	43	100	143
Total	928	1,215	2,143	1,349	1,670	3,019
%	17.49	20.48	19.07	25.43	28.14	26.86
2016/2017						
EXTRA EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	425	475	900	506	514	1,020
30–50	560	728	1,288	521	643	1,164
>50	82	124	206	45	48	93
Total	1,067	1,327	2,394	1,072	1,205	2,277
%	20.11	22.36	21.30	20.21	20.31	20.26

OUTGOING AND INCOMING TURNOVER BY AGE – GROUP						
2015/2016						
GROUP	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	481	585	1,066	929	1,119	2,048
30–50	554	779	1,333	725	880	1,605
>50	206	258	464	57	115	172
Total	1,241	1,622	2,863	1,711	2,114	3,825
%	9.31	9.65	9.50	12.84	12.58	12.69
2016/2017						
GROUP	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	513	600	1,113	745	858	1,603
30–50	737	952	1,689	686	970	1,656
>50	208	318	526	54	71	125
Total	1,458	1,870	3,328	1,485	1,899	3,384
%	10.94	11.13	11.04	11.14	11.30	11.23



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

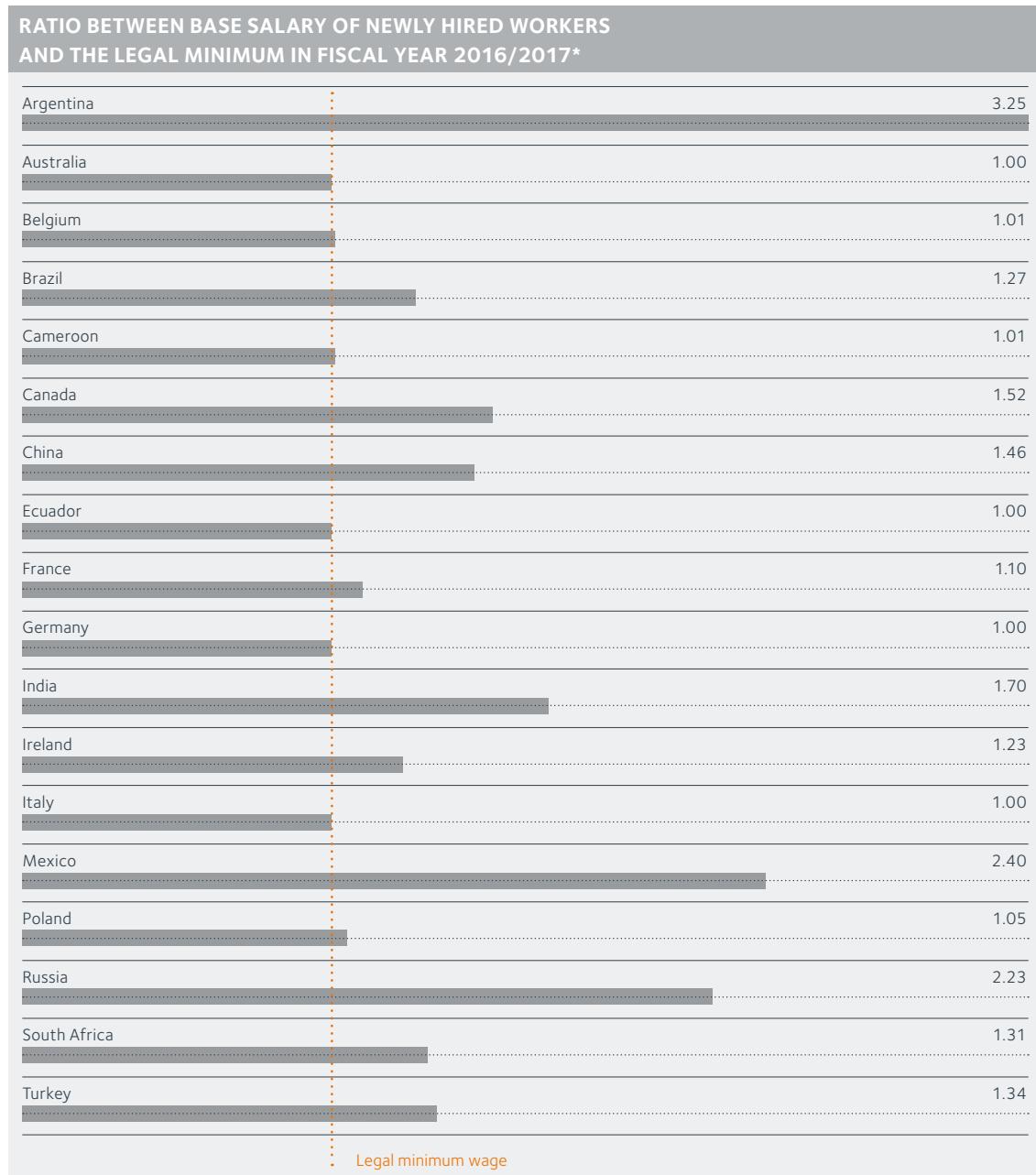
Absenteeism

Our employees' absenteeism rate is calculated by counting the hours of absence due to illness and injury based on the total hours worked in the period under observation.

BLUE COLLAR ABSENTEEISM IN FY 2016/2017	
Alba	3.85%
Arlon	5.47%
Balvano	5.43%
Belsk	5.64%
Brantford	3.54%
Cork	4.78%
La Pastora	7.90%
Lithgow	4.31%
Manisa	1.85%
Pocos De Caldas	3.59%
Pozzuolo Martesana	5.06%
Quito	2.37%
Sant'Angelo dei Lombardi	4.68%
S. José Iturbide	0.43%
Stadtallendorf	7.59%
Villers-Écalles	5.87%
Vladimir	3.78%

Remuneration

The chart below shows the relationship in FY 2016/2017 between the minimum wage offered by Ferrero Group (the minimum wage is the same for all newly hired personnel without gender distinction) and the legal minimum wages of the countries in which Ferrero plants and offices are located.



* The basic salary is the minimum gross annual salary of newly recruited staff working along the production lines. The figure does not take into account extraordinary forms of remuneration, production awards or individual awards. In the event the relationship is equal to 1: there is an exact correspondence between the legal minimum wage and the salary offered by Ferrero.



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

AVERAGE WAGE RATIO BY GENDER AND CATEGORY*		
EMPLOYEE CATEGORY	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2016	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2017
Italy		
Blue Collar	92.6	92.9
White Collar	94.5	95.0
Middle Manager	93.2	93.2
Senior Manager	73.5	72.5
Germany		
Blue Collar	80.2	80.4
White Collar	83.9	84.3
Middle Manager	85.7	86.3
Senior Manager	98.5	94.5
France		
Blue Collar	90.4	89.8
White Collar	98.4	99.2
Middle Manager	89.4	88.4
Senior Manager	127.1	136.9
Poland		
Blue Collar	73.9	73.1
White Collar	100.2	92.6
Middle Manager	91.2	93.0
Senior Manager	55.9	59.4
Ireland		
Blue Collar	89.5	90.4
White Collar	75.9	77.7
Middle Manager	75.0	79.0
Senior Manager	n.a.	n.a.
Canada		
Blue Collar	88.3	88.6
White Collar	87.7	89.1
Middle Manager	111.2	108.8
Senior Manager	99.9	97.7
USA		

AVERAGE WAGE RATIO BY GENDER AND CATEGORY*		
EMPLOYEE CATEGORY	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2016	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2017
White Collar	90.1	93.94
Middle Manager	108.8	103.25
Senior Manager	74.0	87.64
Russia		
Blue Collar	79.5	79.03
White Collar	116.9	109.85
Middle Manager	102.8	101.43
Senior Manager	64.5	70.04
Belgium		
Blue Collar	94.6	96.11
White Collar	90.2	88.19
Middle Manager	78.1	85.42
Senior Manager	57.1	50.33
Mexico		
Blue Collar	78.8	82.78
White Collar	91.0	89.72
Middle Manager	80.5	85.39
Senior Manager	n.a..	n.a..

* This is calculated with the formula as: "Average wage Men : 100 = Average wage Women : x". When the datum is less than 100, the average wage for men is higher than that of women.

**Figure refers to the workers employed in Ferrero's packaging plant in USA.



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

PERCENTAGE OF LOCALLY HIRED SENIOR MANAGERS AS OF AUGUST 31ST 2017	
COUNTRY	
Romania	100%
Ukraine	
Italy	
Germany	80-99%
Russia	
France	
Poland	
USA	60-79%
Hungary	
UK	
Turkey	
Scandinavia	40-59%
Brazil	
Argentina	
Australia	
India	
Canada	20-39%
Spain	
Mexico	
China	
Belgium	1-19%
Asia	

PERCENTAGE OF LOCALLY HIRED SENIOR MANAGERS AS OF AUGUST 31ST 2017

COUNTRY	
Chile	
Colombia	
Czech Republic	
Ecuador	
Greece	
Israel	
Luxembourg	
Portugal	
Principality of Monaco	
South Africa	
Switzerland	
The Netherlands	0%

*Scandinavia includes Denmark, Finland, Sweden and Norway.

** Asia includes Hong Kong, Singapore, South Korea and Taiwan.



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

Parental leave

The following data on returning to work after a period of parental leave relates to a sample of six countries: Italy, Luxembourg, France, Germany, Spain and Brazil.

The data includes employees who went on parental leave for a period of at least two months.

ITALY						
	FISCAL YEAR 2015/2016			FISCAL YEAR 2016/2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	100%	70%	73%	N/A	89%	89%
Retention rate after parental leave	83%	96%	95%	0%	90%	88%

Return-to-work: In the FY 2016/2017, 64 employees (all women) took parental leave. 18 employees were due to return to work after parental leave ending: among these, 16 employees actually returned to work within FY 2016/2017, while 2 employees left the Group after parental leave.

Retention after parental leave: In the FY 2015/2016, 62 employees (61 women and 1 men) took parental leave. Of these 62 employees, as of August 31st, 2017, 11 women are still on parental leave, 45 employees (all women) have returned to work after parental leave ending and 6 employees (5 women and 1 men) have left the Group after parental leave.

LUXEMBOURG						
	FISCAL YEAR 2015/2016			FISCAL YEAR 2016/2017		
	Men	Women	Total	Men	Women	Total
Return to work rate	N/A	100%	100%	N/A	100%	100%
Retention rate after parental leave	N/A	100%	100%	N/A	100%	100%

Return-to-work: In the FY 2016/2017, 13 employees (all women) took parental leave. 6 employees were due to return to work after parental leave ending and all of them actually returned to work within FY 2016/2017.

Retention after parental leave: In the FY 2015/2016, seven employees (all women) took parental leave. All of them, as of August 31st, 2017, have returned to work.

FRANCE						
	FISCAL YEAR 2015/2016			FISCAL YEAR 2016/2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	90%	90%	N/A	91%	91%
Retention rate after parental leave	N/A	100%	100%	N/A	94%	94%

Return-to-work: In the FY 2016/2017, 26 employees (all women) took parental leave. 22 employees were due to return to work after parental leave ending: among these, 20 employees actually returned to work within FY 2016/2017, while 2 employees left the Group after parental leave.

Retention after parental leave: In the FY 2015/2016, 18 employees (all women) took parental leave. Of these 18 employees, as of August 31st, 2017, 17 employees (all women) have returned to work after parental leave ending and 1 employee has left the Group after parental leave.

GERMANY

	FISCAL YEAR 2015/2016			FISCAL YEAR 2016/2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	N/A	N/A	N/A	N/A	N/A
Retention rate after parental leave	100%	89%	89%	100%	88%	89%

Return-to-work: In the FY 2016/2017, 40 employees (38 women and 2 men) took parental leave. All of them were still on parental leave on August 31st, 2017.

Retention after parental leave: In the FY 2015/2016, 32 employees (30 women and 2 men) took parental leave. Of these 32 employees, as of August 31st, 2017, 16 employees (14 women and 2 men) have returned to work after parental leave ending and 2 employees (both women) have left the Group after parental leave.

SPAIN

	FISCAL YEAR 2015/2016			FISCAL YEAR 2016/2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	N/A	N/A	N/A	100%	100%
Retention rate after parental leave	N/A	100%	100%	N/A	50%	50%

Return-to-work: In the FY 2016/2017, 3 employees (all women) took parental leave. All of them have returned to work after parental leave.

Retention after parental leave: In the FY 2015/2016, 2* employees (all women) took parental leave. Of these 2 employees, as of August 31st, 2017, one has returned to work after parental leave ending and one has left the Group after parental leave.

* Updated since CSR Report 2016

BRAZIL

	FISCAL YEAR 2015/2016			FISCAL YEAR 2016/2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	75%	75%	N/A	67%	67%
Retention rate after parental leave	N/A	31%	31%	N/A	38%	38%

Return-to-work: In the FY 2016/2017, 10 employees (all women) took parental leave. 9 employees were due to return to work after parental leave ending: among these, 6 employees actually returned to work within FY 2016/2017, while 3 employees left the Group after parental leave.

Retention after parental leave: In the FY 2015/2016, 13 employees (all women) took parental leave. Of these 5 employees, as of August 31st, 2017, 5 employees have returned to work after parental leave ending and eight employees have left the Group after parental leave.



KEY DATA AND METHODOLOGICAL NOTES

CONTINUED

SENIORITY OF SERVICE			
EMPLOYEE CATEGORY	WOMEN	MEN	TOTAL
Italy: Alba since 1946, Pozzuolo Martesana since 1965, Balvano since 1985, S. Angelo dei Lombardi since 1985			
Blue Collar	11 Years, 2 Months	16 Years, 4 Months	13 Years, 12 Months
White Collar	22 Years, 0 Months	23 Years, 9 Months	23 Years, 4 Months
Middle Manager	23 Years, 11 Months	26 Years, 0 Months	25 Years, 11 Months
Senior Manager	0 Years, 0 Months	27 Years, 8 Months	27 Years, 8 Months
Germany: Stadtallendorf since 1956			
Blue Collar	9 Years, 3 Months	11 Years, 11 Months	10 Years, 7 Months
White Collar	12 Years, 5 Months	16 Years, 8 Months	15 Years, 1 Months
Middle Manager	14 Years, 3 Months	19 Years, 3 Months	18 Years, 7 Months
Senior Manager	0 Years, 0 Months	21 Years, 11 Months	21 Years, 11 Months
France: Villers-Écalles since 1960			
Blue Collar	5 Years, 11 Months	10 Years, 8 Months	8 Years, 4 Months
White Collar	11 Years, 11 Months	16 Years, 11 Months	15 Years, 2 Months
Middle Manager	7 Years, 7 Months	10 Years, 7 Months	9 Years, 7 Months
Senior Manager	0 Years, 0 Months	13 Years, 11 Months	13 Years, 11 Months
Australia: Lithgow since 1974			
Blue Collar	10 Years, 2 Months	7 Years, 8 Months	8 Years, 10 Months
White Collar	4 Years, 3 Months	4 Years, 6 Months	4 Years, 3 Months
Middle Manager	7 Years, 11 Months	9 Years, 5 Months	8 Years, 9 Months
Senior Manager	10 Years, 6 Months	21 Years, 9 Months	15 Years, 0 Months
Ireland: Cork since 1975			
Blue Collar	14 Years, 5 Months	11 Years, 10 Months	12 Years, 8 Months
White Collar	13 Years, 4 Months	15 Years, 9 Months	15 Years, 0 Months
Middle Manager	16 Years, 2 Months	27 Years, 7 Months	23 Years, 9 Months
Canada			
Blue Collar	4 Years, 6 Months	3 Years, 7 Months	4 Years, 0 Months
White Collar	7 Years, 6 Months	6 Years, 7 Months	7 Years, 0 Months
Middle Manager	7 Years, 11 Months	14 Years, 7 Months	12 Years, 9 Months
Senior Manager	12 Years, 6 Months	18 Years, 4 Months	17 Years, 6 Months
Ecuador: Quito since 1975			
Blue Collar	11 Years, 0 Months	6 Years, 11 Months	9 Years, 0 Months
White Collar	7 Years, 11 Months	7 Years, 10 Months	7 Years, 11 Months
Middle Manager	23 Years, 9 Months	17 Years, 0 Months	18 Years, 11 Months
Senior Manager	0 Years, 0 Months	41 Years, 1 Months	41 Years, 1 Months
Belgium: Arlon since 1989			

SENIORITY OF SERVICE			
EMPLOYEE CATEGORY	WOMEN	MEN	TOTAL
White Collar	18 Years, 10 Months	18 Years, 11 Months	18 Years, 10 Months
Middle Manager	17 Years, 11 Months	21 Years, 7 Months	21 Years, 2 Months
Senior Manager	0 Years, 0 Months	12 Years, 11 Months	12 Years, 11 Months
Poland: Belsk Duzy since 1992			
Blue Collar	4 Years, 9 Months	7 Years, 6 Months	6 Years, 3 Months
White Collar	9 Years, 9 Months	9 Years, 10 Months	9 Years, 10 Months
Middle Manager	2 Years, 4 Months	19 Years, 0 Months	17 Years, 9 Months
Senior Manager	20 Years, 0 Months	19 Years, 7 Months	19 Years, 9 Months
Argentina: La Pastora since 1992			
Blue Collar	13 Years, 9 Months	11 Years, 3 Months	12 Years, 5 Months
White Collar	4 Years, 8 Months	5 Years, 4 Months	5 Years, 0 Months
Middle Manager	1 Years, 2 Months	7 Years, 7 Months	7 Years, 2 Months
Senior Manager	0 Years, 0 Months	12 Years, 8 Months	12 Years, 8 Months
Brazil: Poços de Caldas since 1994			
Blue Collar	5 Years, 6 Months	3 Years, 12 Months	4 Years, 10 Months
White Collar	3 Years, 10 Months	4 Years, 3 Months	4 Years, 0 Months
Middle Manager	3 Years, 0 Months	7 Years, 10 Months	6 Years, 8 Months
Senior Manager	0 Years, 0 Months	13 Years, 1 Months	13 Years, 1 Months
Canada: Brantford since 2006			
Blue Collar	4 Years, 6 Months	3 Years, 7 Months	4 Years, 0 Months
White Collar	7 Years, 6 Months	6 Years, 7 Months	7 Years, 0 Months
Middle Manager	7 Years, 11 Months	14 Years, 7 Months	12 Years, 9 Months
Senior Manager	12 Years, 6 Months	18 Years, 4 Months	17 Years, 6 Months
Cameroon: Yaoundé since 2005			
Blue Collar	5 Years, 10 Months	4 Years, 0 Months	5 Years, 3 Months
White Collar	5 Years, 8 Months	5 Years, 8 Months	5 Years, 8 Months
Middle Manager	11 Years, 7 Months	19 Years, 6 Months	16 Years, 11 Months
India: Baramati since 2007			
Blue Collar	9 Years, 1 Months	6 Years, 6 Months	7 Years, 7 Months
White Collar	3 Years, 1 Months	3 Years, 0 Months	3 Years, 0 Months
Middle Manager	16 Years, 1 Months	7 Years, 2 Months	9 Years, 8 Months
Senior Manager	5 Years, 3 Months	10 Years, 5 Months	9 Years, 10 Months



KEY DATA AND METHODOLOGICAL NOTES

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South Africa: Walkerville since 2006			
Blue Collar	7 Years, 3 Months	5 Years, 4 Months	6 Years, 10 Months
White Collar	2 Years, 5 Months	2 Years, 10 Months	2 Years, 8 Months
Middle Manager	0 Years, 0 Months	17 Years, 0 Months	17 Years, 0 Months
Senior Manager	0 Years, 0 Months	2 Years, 11 Months	2 Years, 11 Months
Russia: Vladimir since 2009			
Blue Collar	4 Years, 0 Months	4 Years, 7 Months	4 Years, 4 Months
White Collar	4 Years, 4 Months	4 Years, 5 Months	4 Years, 5 Months
Middle Manager	6 Years, 6 Months	3 Years, 10 Months	5 Years, 4 Months
Senior Manager	10 Years, 0 Months	11 Years, 1 Months	10 Years, 8 Months
Mexico: San José Iturbide since 2013			
Blue Collar	1 Years, 6 Months	1 Years, 6 Months	1 Years, 6 Months
White Collar	3 Years, 8 Months	4 Years, 0 Months	3 Years, 11 Months
Middle Manager	9 Years, 0 Months	10 Years, 4 Months	9 Years, 11 Months
Senior Manager	0 Years, 0 Months	18 Years, 3 Months	18 Years, 3 Months
Turkey: Manisa since 2013			
Blue Collar	3 Years, 4 Months	2 Years, 9 Months	3 Years, 0 Months
White Collar	3 Years, 2 Months	2 Years, 8 Months	2 Years, 10 Months
Middle Manager	7 Years, 3 Months	6 Years, 10 Months	7 Years, 0 Months
Senior Manager	0 Years, 10 Months	21 Years, 3 Months	17 Years, 2 Months

GOLD Community members are GRI's core supporters. They are at the heart of the community shaping the future of sustainability and reporting, and empowering decision making towards a more sustainable economy and world.

Submitting a Social Responsibility report for one of the GRI Alignment Services is a signal to stakeholders that the reporting organization has made a good faith attempt to produce its report in a manner that is consistent with the GRI Sustainability Reporting Standards. Reports that are properly aligned with the GRI Sustainability Reporting Standards are more transparent as the data included is more accessible and easier to use.

The Ferrero Group, for its 9th CSR report, applied for the GRI Content Index Service that helps report preparers improve the accuracy and usability of the GRI Content Index and ensures its alignment with the GRI Sustainability Reporting Standards.

The GRI Content Index is the central navigation tool that acts as the first point of reference for report users. This service confirms that the GRI Content Index is accurate, and that all included disclosures are included correctly in the report itself.





SDGs

SUSTAINABLE DEVELOPMENT GOALS

The following table links the Sustainable Development Goals (SDGs) to the relevant indicators and disclosures of the GRI Standards and Sector Disclosures contained in the Corporate Social Responsibility Report 2017.

The GRI Content Index is available in the section “Our CSR Reports” of our website www.ferreroCSR.com

 End poverty in all its forms everywhere	Access to land	GRI 413: Local Communities (2016)	413-2	Operations with significant actual and potential negative impacts on local communities	7; 20-23; 73; 78-80; 81-91; 92; 131-139; 157
	Availability of products and services for those on low incomes	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Earnings, wages and benefits	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	199
	Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
 End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Access to land	GRI 413: Local Communities (2016)	413-2	Operations with significant actual and potential negative impacts on local communities	7; 20-23; 73; 78-80; 81-91; 92; 131-139; 157
	Changing the productivity of organizations, sectors, or the whole economy	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Food safety	G4 Sector Disclosures: Food Processing	FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	32
			FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
	Genetic diversity of farmed and domesticated animals	G4 Sector Disclosures: Food Processing	FP9	Percentage and total of animals raised and/or processed, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
	Healthy and affordable food	G4 Sector Disclosures: Food Processing	FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	27-28
			FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	Ferrero products contain fiber and micronutrients like vitamins and minerals, naturally present in the raw materials used, without artificial supplements
Indigenous rights	GRI 411: Rights of Indigenous Peoples (2016)	411-1	Incidents of violations involving rights of indigenous peoples	No incidents of violations reported	
Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17	
	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17; 38; 73-77; 81-85; 92-95	
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9; 86; 118-123; 127; 140; 152; 158; 162-164	

SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE		PAGE NUMBER
 Ensure healthy lives and promote wellbeing for all at all ages	Access to medicines	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Air quality	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	177; 186-187
			305-2	Energy indirect (Scope 2) GHG emissions	177; 186-187
			305-3	Other indirect (Scope 3) GHG emissions	177; 186-187
			305-6	Emissioni di sostanze nocive per lo strato di ozono	187
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Ferrero doesn't produce other significant air emissions
	Occupational health and safety	GRI 403: Occupational Health and Safety (2016)	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	189-191; 198
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	188
			306-2	Waste by type and disposal method	176; 188
	Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	188
	Employee training and education	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	62; 193
	Equal remuneration for women and men	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	199
		GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	199
	Gender equality	GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	196-197
		GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	62; 193
			404-3	Percentage of employees receiving regular performance and career development reviews	64
		GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	195
 Achieve gender equality and empower all women and girls	Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
		GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17; 38; 73-77; 81-85; 92-95



SDGs

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SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER
 Achieve gender equality and empower all women and girls	Non-discrimination	GRI 406: Non-discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken	GRI Content Index
	Parental leave	GRI 401: Employment (2016)	401-3 Parental leave	204-205
	Gender equality	GRI 405: Diversity and Equal Opportunity (2016)	405-1 Diversity of governance bodies and employees	195
	Workplace violence and harassment	GRI 414: Supplier Social Assessment (2016)	414-1 New suppliers that were screened using social criteria	20-23; 51-52; 129-139; 165-167;
			414-2 Negative social impacts in the supply chain and actions taken	20-23; 51-52; 129-139; 165-167;
 Ensure availability and sustainable management of water and sanitation for all	Spills	GRI 306: Effluents and Waste (2016)	306-3 Significant spills	188
	Sustainable water withdrawals	GRI 303: Water (2016)	303-1 Water withdrawal by source	173; 188
			303-2 Water sources significantly affected by withdrawal of water	173; 188
	Waste	GRI 306: Effluents and Waste (2016)	306-2 Waste by type and disposal method	176; 188
	Water efficiency	GRI 303: Water (2016)	303-3 Water recycled and reused	173-188
	Water quality	GRI 306: Effluents and Waste (2016)	306-1 Water discharge by quality and destination	188
	Water recycling and reuse	GRI 303: Water (2016)	303-3 Water recycled and reused	173-188
	Water-related ecosystems and biodiversity	GRI 304: Biodiversity (2016)	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	178
			304-2 Significant impacts of activities, products, and services on biodiversity	178
		GRI 306: Effluents and Waste (2016)	306-1 Water discharge by quality and destination	188
			306-2 Waste by type and disposal method	176; 188
 Ensure access to affordable, reliable, sustainable and modern energy for all	Energy efficiency	GRI 302: Energy (2016)	302-1 Energy consumption within the organization	169; 187
			302-3 Energy intensity	187
			302-4 Reduction of energy consumption	168; 170-172; 179-180
	Infrastructure investments	GRI 201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	17
		GRI 203: Indirect Economic Impacts (2016)	203-1 Infrastructure investments and services supported	17; 38; 73-77; 81-85; 92-95
	Renewable energy	GRI 302: Energy (2016)	302-1 Energy consumption within the organization	169; 187

SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE		PAGE NUMBER
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Abolition of child labor	GRI 408: Child Labor (2016)	408-1	Operations and suppliers at significant risk for incidents of child labor	20-23; 51-52; 126; 131-139; 153-157;167
	Changing the productivity of organizations, sectors, or the whole economy	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Diversity and equal opportunity	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	195
	Earnings, wages and benefits	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	199
	Economic performance	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
	Elimination of forced or compulsory labor	GRI 409: Forced or Compulsory Labor (2016)	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	20-23; 51-52; 126; 131; 139; 153-157;167
	Employee training and education	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	62; 193
			404-2	Programs for upgrading employee skills and transition assistance programs	61-64
			404-3	Percentage of employees receiving regular performance and career development reviews	64
	Employment	GRI 102: General Disclosures (2016)	102-8	Information on employees and other workers	56-57; 197-199
		GRI 202: Market Presence (2016)	202-2	Proportion of senior management hired from the local community	202
		GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	196-197
	Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	169: 187
			302-3	Energy intensity	187
			302-4	Reduction of energy consumption	168; 170-172; 179-180
	Equal remuneration for women and men	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	199
	Freedom of association and collective bargaining	GRI 102: General Disclosures (2016)	102-41	Collective bargaining agreements	65
		GRI 407: Freedom of Association and Collective Bargaining (2016)	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	20; 65
	Indirect impact on job creation	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Jobs supported in the supply chain	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Labor practices in the supply chain	GRI 414: Supplier Social Assessment (2016)	414-1	New suppliers that were screened using social criteria	20-23; 51-52; 129-139; 165-167;
			414-2	Negative social impacts in the supply chain and actions taken	20-23; 51-52; 129-139; 165-167;
	Labor/management relations	GRI 402: Labor Management Relations (2016)	402-1	Minimum notice periods regarding operational changes	GRI Content Index
		G4 Sector Disclosures: Food Processing	FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	65



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SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE		PAGE NUMBER
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Materials efficiency	GRI 301: Materials (2016)	301-1	Materials used by weight or volume	13; 123; 128; 140; 192
			301-2	Recycled input materials used	123; 192
	Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken	GRI Content Index
	Occupational health and safety	GRI 403: Occupational Health and Safety (2016)	403-1	Workers representation in formal joint management-worker health and safety committees	65
			403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	189-191; 198
			403-4	Health and safety topics covered in formal agreements with trade unions	65
	Parental leave	GRI 401: Employment (2016)	401-3	Parental leave	204-205
	Resource efficiency of products and services	GRI 301: Materials (2016)	301-3	Reclaimed products and their packaging materials	122-123
	Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused	173-188
	Youth employment	GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	196-197
 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster	Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
		GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17; 38; 73-77; 81-85; 92-95
	Research and development	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
 Reduce inequality within and among countries	Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
	Equal remuneration for women and men	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	199
	Foreign direct investment	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95
 Make cities and human settlements inclusive, safe, resilient and sustainable	Infrastructure investments	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17; 38; 73-77; 81-85; 92-95

SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER
 Ensure sustainable consumption and production patterns	Air quality	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions
			305-2	Energy indirect (Scope 2) GHG emissions
			305-3	Other indirect (Scope 3) GHG emissions
			305-6	Emissions of ozone-depleting substances (ODS)
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions Ferrero doesn't produce other significant air emissions
			302-1	Energy consumption within the organization
			302-3	Energy intensity
	Energy efficiency/ recycling	GRI 302: Energy (2016)	302-4	Reduction of energy consumption
			301-1	Materials used by weight or volume
			301-2	Recycled input materials used
	Procurement practices	GRI 204: Procurement Practices (2016)	204-1	Proportion of spending on local suppliers
	Product and service information and labeling	GRI 417: Marketing and Labeling (2016)	417-1	Requirements for product and service information and labeling
	Resource efficiency of products and services	GRI 301: Materials (2016)	301-3	Reclaimed products and their packaging materials
	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills
	Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard
Transport	Transport	GRI 302: Energy (2016)	302-1	Energy consumption within the organization
			305-1	Direct (Scope 1) GHG emissions
			305-2	Energy indirect (Scope 2) GHG emissions
			305-3	Other indirect (Scope 3) GHG emissions
Waste		GRI 306: Effluents and Waste (2016)	306-2	Waste by type and disposal method
			303-3	Water recycled and reused
Water efficiency		GRI 303: Water (2016)	303-3	Water recycled and reused
			306-1	Water discharge by quality and destination



SDGs

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SDG	Business Theme	Relevant Disclosure	Disclosure		Page Number
 Take urgent action to combat climate change and its impacts	Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	169; 187
			302-3	Energy intensity	187
			302-4	Reduction of energy consumption	168; 170-172; 179-180
	GHG emissions	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	177; 186-187
			305-2	Energy indirect (Scope 2) GHG emissions	177; 186-187
			305-3	Other indirect (Scope 3) GHG emissions	177; 186-187
			305-4	GHG emissions intensity	187
			305-5	Reduction of GHG emissions	177; 186-187
			305-6	Emissions of ozone-depleting substances (ODS)	187
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Ferrero doesn't produce other significant air emissions
	Risks and opportunities due to climate change	GRI 201: Economic Performance (2016)	201-2	Financial implications and other risks and opportunities due to climate change	120; 126; 148-149; 165; 168-169; 175; 177; 181-182
 Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Marine biodiversity	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	178
			304-2	Significant impacts of activities, products, and services on biodiversity	178
	Ocean acidification	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	177; 186-187
			305-2	Energy indirect (Scope 2) GHG emissions	177; 186-187
			305-3	Other indirect (Scope 3) GHG emissions	177; 186-187
			305-4	GHG emissions intensity	187
			305-5	Reduction of GHG emissions	177; 186-187
	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	188
	Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9; 86; 118-123; 127; 140; 152; 158; 162-164
	Water discharge to oceans	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	188

SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE		PAGE NUMBER
 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Deforestation	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9; 86; 118-123; 127; 140; 152; 158; 162-164
	Forest degradation	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	177; 186-187
			305-2	Energy indirect (Scope 2) GHG emissions	177; 186-187
			305-3	Other indirect (Scope 3) GHG emissions	177; 186-187
			305-4	GHG emissions intensity	177; 186-187
			305-5	Reduction of GHG emissions	177; 186-187
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Ferrero doesn't produce other significant air emissions
	Genetic diversity of farmed and domesticated animals	G4 Sector Disclosures: Food Processing	FP9	Percentage and total of animals raised and/or processed, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
	Mountain ecosystems	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	178
			304-2	Significant impacts of activities, products, and services on biodiversity	178
	Natural habitat degradation	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	178
			304-2	Significant impacts of activities, products, and services on biodiversity	178
Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills		188
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard		8-9; 86; 118-123; 127; 140; 152; 158; 162-164
Terrestrial and inland freshwater ecosystems	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		178
		304-2	Significant impacts of activities, products, and services on biodiversity		178



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SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER
16  Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Abolition of child labor Anti-corruption	GRI 408: Child Labor (2016)	408-1 Operations and suppliers at significant risk for incidents of child labor	20-23; 51-52; 126; 131-139; 153-157; 167
		GRI 205: Anti-corruption (2016)	205-2 Communication and training about anti-corruption policies and procedures	GRI Content Index
			205-3 Confirmed incidents of corruption and actions taken	GRI Content Index
		GRI 415: Public Policy (2016)	415-1 Political contributions	Ferrero does not allow behaviors that offer, promise, ask or deliver an undue pecuniary benefit or otherwise, to public officials and/or officers and/or members of their families and/or commercial partners, with the intention to bribe, directly or indirectly. Ferrero does not allow contributions to political parties and/or candidates for public office
	Compliance with laws and regulations	GRI 307: Environmental Compliance (2016)	307-1 Non-compliance a regolamenti e leggi in materia ambientale	GRI Content Index
		GRI 206: Anti-competitive Behavior (2016)	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Content Index
		GRI 419: Socioeconomic Compliance (2016)	419-1 Non-compliance with laws and regulations in the social and economic area	GRI Content Index
		GRI 416: Customer Health and Safety (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	GRI Content Index
		GRI 417: Marketing and Labeling (2016)	417-1 Requirements for product and service information and labeling	34-37; 53
			417-2 Incidents of non-compliance concerning product and service information and labeling	34, GRI Content Index
		GRI 418: Customer Privacy (2016)	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Content Index
		GRI 419: Socioeconomic Compliance (2016)	419-1 Non-compliance with laws and regulations in the social and economic area	GRI Content Index

SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE		PAGE NUMBER
 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Ethical and lawful behavior	GRI 102: General Disclosures (2016)	102-16	Values, principles, standards, and norms of behavior	https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles
	Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken	GRI Content Index
	Protection of privacy	GRI 418: Customer Privacy (2016)	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Content Index
	Workplace violence and harassment	GRI 414: Supplier Social Assessment (2016)	414-1 414-2	New suppliers that were screened using social criteria Negative social impacts in the supply chain and actions taken	20-23; 51-52; 129-139; 165-167 20-23; 51-52; 129-139; 165-167
 Strengthen the means of implementation and revitalize the global partnership for sustainable development	Foreign direct investment	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17; 38; 73-77; 81-85; 92-95



ASSURANCE LETTER



Independent Limited Assurance Report on the Corporate Social Responsibility Report

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

We have performed a limited assurance engagement to report on the Corporate Social Responsibility Report of Ferrero International S.A. (hereinafter "the Company"), for the period from 1 September 2016 to 31 August 2017 (hereinafter the "CSR Report").

The CSR Report needs to be read and understood together with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-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.

Board of Directors' responsibilities for the Corporate Social Responsibility Report

The Board of Directors of the Company is responsible for the preparation and presentation of the CSR Report in accordance with the GRI-Criteria, as stated in the paragraph "About this Report" of the CSR Report.

This responsibility of Company's Board of Directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the Board of Directors is responsible for such internal controls as they have considered necessary to enable the preparation of a CSR Report that is free from material misstatement whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional 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 behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) as adopted for Luxembourg by the CSSF and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 4948481, F : +352 4948482900, www.pwcc.lx

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10008256)
R.C.S. Luxembourg B65 477 - TVA LU125482518

ASSURANCE LETTER



Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a limited assurance conclusion on the disclosures in the CSR Report based on the assurance engagement we have performed.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the "International Auditing and Assurance Standards Board" (IAASB) and as adopted for Luxembourg by the *Institut des Réviseurs d'Entreprises*. This standard requires that we plan and perform the assurance engagement to obtain a limited assurance that the Company's CSR Report for the period from 1 September 2016 to 31 August 2017 has been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of methods and policies applied.

In a limited assurance engagement the procedures we performed 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.

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

Within the scope of our limited assurance engagement, we performed, amongst others, the following procedures:

- Obtained an understanding of the structure of the sustainability organization, including governance and of the stakeholder engagement;
- Performed analysis of how the processes underlying the generation, collection and management of information disclosed in the CSR Report operate;
- Performed inquiries with the management of the Company regarding the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the CSR Report;
- Identified the likely risks of material misstatement of the CSR Report under consideration of the GRI-Criteria;
- Analysed the compliance and the internal consistency of the qualitative information disclosed in the CSR Report in relation to the GRI-Criteria;
- Analysis of relevant underlying supporting information supporting the key disclosures in the CSR Report;
- Compared the selected financial data and disclosures in CSR Report with corresponding data in the consolidated financial statements and in the group management report for year ending 31 August 2017;

ASSURANCE LETTER

CONTINUED



- Evaluated the presentation of the disclosures in the CSR Report regarding sustainability performance;
- Obtained representations from management and the Company's CSR responsible officer confirming compliance with the GRI-Criteria and completeness and accuracy of the information presented.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

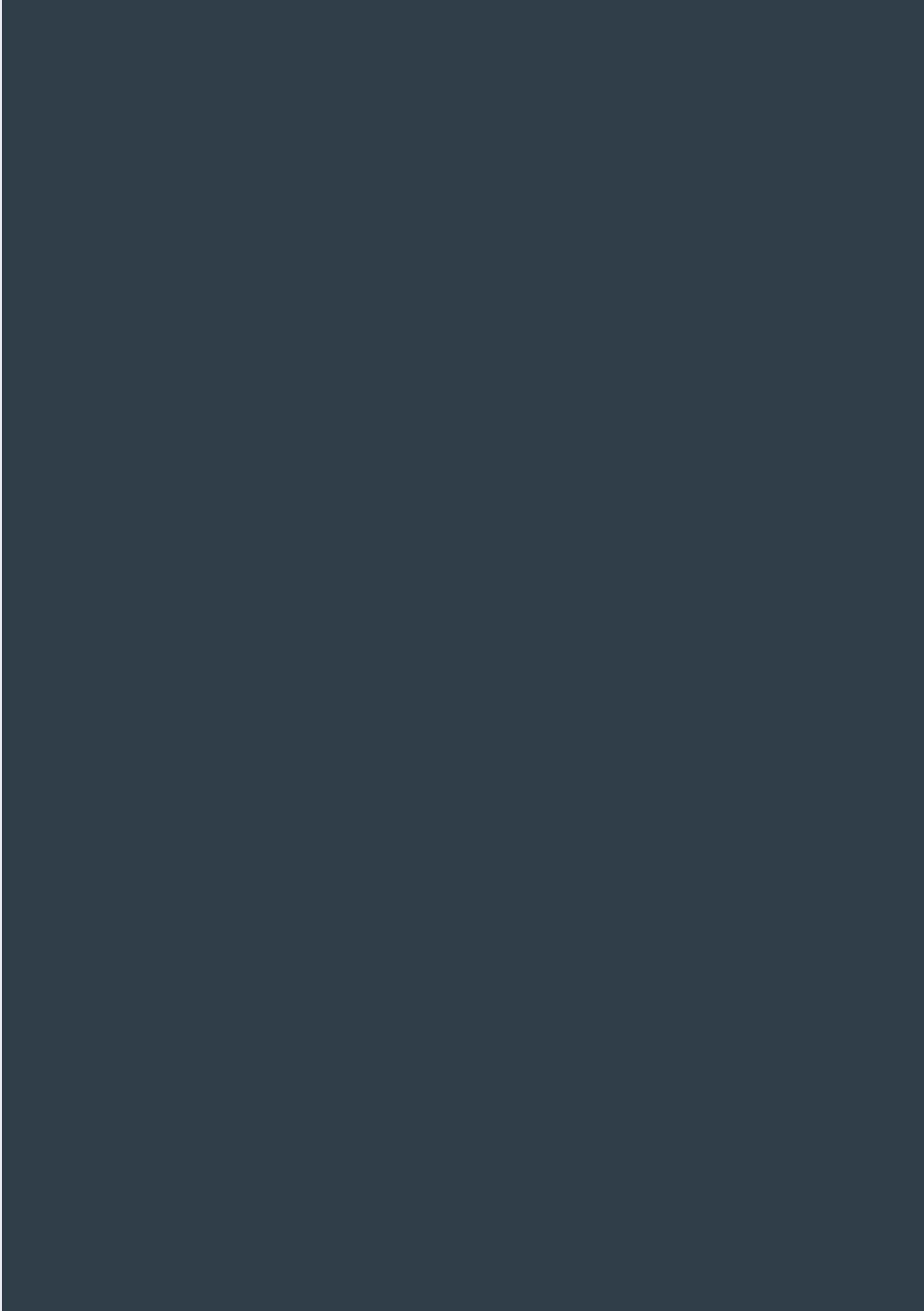
Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Company's CSR Report for the period from 1 September 2016 to 31 August 2017 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 16 November 2018

Mervyn R. Martins
Partner



FERRERO

Ferrero CSR Office

Findel Business Center, Complexe B, Rue de Trèves
L-2632 - Findel
Luxembourg
csr@ferrero.com
www.ferreroCSR.com

Printed on FSC™ certified paper

