



Sharing Values to Create Value

Corporate Social Responsibility
R E P O R T 2 0 1 3

FERRERO

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Giovanni, Michele and Maria Franca Ferrero

FERRERO

The '60s - Ferrero Bus for the transportation of employees from the countryside to the plant: the service has allowed many farmers to secure

employment in the company while continuing to ensure, at the same time, their presence in the countryside.



The year 2012 - Ferrero Social Enterprise in India (Baramati): the last stages of Tic Tac® production.

The Ferrero Social Enterprises combine the entrepreneurial spirit with a "Social" one: they offer employment to those who live in some of the less favored areas of emerging countries,

while bringing dignity,

opportunity and vocational training.

They create a work culture, a source of economic progress and a platform for social development.



The year 2020 - Implementation of a global energy action plan that meets the current needs without compromising the ability of future generations to meet their own needs.



"I personally pledge to dedicate everything I do and all my intentions to our company, so that it may continue, guided by the example given by my father and my uncle, its journey thus far, while 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".

October 1957, Michele Ferrero from a letter to the staff, at the time when he took the helm of the company.

About this report

This report aims to illustrate the Ferrero Group's social responsibility and sustainability strategies as well as its activities throughout the world from 1 September 2012 to 31 August 2013. Along with the objectives set in previous reports, the issues dealt with in this report have been selected according to their level of importance to the Group, while taking into account the opinions of key stakeholders.

Furthermore, this report's Ferrero "Great Brands" focus looks at Kinder® Chocolate, while the country focuses cover Canada and Russia.

To find out more about focuses on our products and countries in which we operate, please refer to the third and fourth CSR reports, available at www.ferreroCSR.com.

This report was edited by the Ferrero Group's Institutional Affairs, Pubblic Relations & Corporate Communication Office (e-mail: csr@ferrero.com), in conformity with the "Sustainability Reporting Guidelines" (version 3.1, 2011) and the "Food Processing Sector Supplement" both defined by the Global Reporting Initiative (GRI) and takes the following into account:

- » the "Ten Principles" of the United Nations Global Compact (UNGC),
- » the ISO (International Standard Organization) 26000:2010 "Guidance on social responsibility",
- » the "Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises".

During the reporting period:

- » production started at the two new manufacturing plants in Turkey (March 2013) and Mexico (May 2013);
- » the Ferrero Group took over 100% of the Stelliferi Group's hazelnut business concerning the processing and distribution of natural, high quality hazelnuts. Furthermore, the Ferrero Group established a joint venture with Stelliferi Group, which encompasses the preparation and sale of roasted hazelnuts with various levels of processing. This joint venture is not taken into account in the present report.

Such events have led to an impact only on the data reported in the "Ferrero women and men" chapter. Along with the fact that the Ferrero agricultural companies have been included in the total workforce data for the first time, these cause a limit to the possibility of a comparison between data from the previous reporting periods.

The application level of this report, according to GRI Guidelines, is A+, as confirmed by the GRI Application Level Check.

The independent assurance of this report was carried out by Deloitte.

This report is also available online at: www.ferreroCSR.com, where also the previous CSR reports, published in June 2010, June 2011, July 2012 and July 2013 are made available. CSR reports will continue to be published on an annual basis.

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Letter from the CEO

Thanks to the efforts of the Ferrero women and men and to the trust our consumers chose to place towards our products, in the 2012/2013 financial year, the Ferrero Group continued to grow and strengthen with an increase of 5% in sales, compared to the previous period, despite an ongoing difficult situation in European markets.

Such a success should also be attributed to the extraordinary dynamic nature of our development in new markets, such as Asia, Russia, United States, Australia, Canada, Brazil and Argentina.

Our manufacturing capabilities have been further enhanced, now reaching 20 production sites with two new ones opening in Mexico and Turkey.

The Ferrero Group devoted a new portion of investments, equivalent to almost 6% of sales, to industrial and production enhancement.

All the while, our strong commitment to reducing environmental impact has been maintained: since 2009, our CO₂ emissions have decreased by more than 32% per product unit derived from production activities and water consumption by more than 26%.

When it comes to raw materials, our selection criteria remain fundamental: excellence in quality, respect of human rights, sustainability. We relentlessly pursue these challenging goals of traceability and sustainability for all of our main agricultural raw materials' supply chains. Our products are distributed in more than 160 countries belonging to the entire international community. We operate in a global scenario where competitive changes to the system have now become extremely quick. Consequently, we constantly face difficult and thrilling challenges that we tackle by following three basic principles, which always guide the Ferrero Group's activities:

- offering more and more innovative products;
- being attentive to satisfy our customers' wishes;
- continuously strengthening the ethical commitment which is the basis of our corporate culture.

The innovation in our products, which we want to emphasize as much as quality, is the combination of modern methods with an ancient passion that permeates all stages of our value chain, from research to the development of the final product.

We devote ourselves to our customers with absolute authenticity and integrity. We are aware and attentive to the relationship of trust that binds our brands: we look after the quality of this relation and the transparency in our communications.

We take great pride in satisfying the expectations of our consumers and we consider them to be the true ambassadors of our "Great Brands". Finally, ethical sensibility has always been at the heart of our activities. We strongly believe in the social responsibility of the Group: we prove it daily, by caring for the relationship between the customer and our brands, as well as with the due respect for the women and men working and having worked with us.

Furthermore we demonstrate it through the protection of human rights and the fight against child labour, through the sustainable sourcing of our raw materials, the protection of the environment and the fight against corruption and wrongdoing.

Furthermore, we are committed to support programmes encouraging physical activities and help tackle obesity, in particular among children and teenagers. We generate employment in less fortunate areas of the world, where we encourage educational care and welfare for children and teenagers.

Instilling a daily commitment to true social responsibility, with perseverance, passion and patience, means that we shall continuously thrive to affirm our distinctive values into the future! We are convinced, in fact, that our corporate social responsibility activities, as well as the value of our brands, are essential elements for the stability of our development, of our growth.

Happy reading!



Giovanni Ferrero
Chief Executive Officer
Ferrero International

July 2014

Giovanni Ferrero
CEO Ferrero International

The 4 pillars of Ferrero's corporate social responsibility



The 4 pillars of Ferrero's corporate social responsibility



Our model is based on four pillars:

OUR PRODUCTS

They are created with the utmost attention to the needs of consumers and their safety, through ongoing innovation, excellence in quality, unique production methods, freshness and exquisite appeal.

THE FERRERO FOUNDATION

It has a two-fold purpose: the care of former Ferrero employees and the promotion of cultural and artistic initiatives, mainly regarding Alba and the Piedmont region.

THE FERRERO SOCIAL ENTERPRISES

They have already been active in India, South Africa and Cameroon, with the aim to, on the one hand, create new job opportunities and, on the other, implement projects and initiatives promoting children's health and education in the surrounding areas of the production plants.

KINDER+SPORT

It is Ferrero's educational programme that promotes active lifestyles for children and teenagers in order to prevent and combat sedentary lifestyles, a major contributor to obesity among children and adults.

Furthermore, Ferrero's activities always ensure the full protection of human rights, including the fight against child labour, while also respecting the environment and tackling corruption and wrongdoing.



Covers of the first, second and third conference on social issues, organised in Alba by the "Centro Studi Sociali della P. FERRERO & C." in 1961, 1962, 1963.

1. Our products



Our products

The value chain of our products: a path to responsibility.



The Ferrero Group's distinctive feature is the passion for its products and its primary and indispensable objective is the satisfaction of consumers. To this end, **Ferrero is committed** to the constant pursuit of the highest **quality, uncompromisingly and unconditionally**, while investing in its brands for the long term.

The following pages, dedicated to **our products**, will therefore explain quality in all its facets:

- **quality of brands:** an attentive selection of all raw materials, no use of oils or hydrogenated vegetables fats, no additives, the creation of a unique and elegant taste, balanced portions to manage energy intake, a packaging that can keep the product fresh even in challenging climatic conditions, the control of products up to the point of sale and the withdrawal during summer months;

- **quality of traceability and safety:** an ongoing control of raw materials and of the product, through physicochemical, microbiological and organoleptic analyses, careful selection, inspections and audit of suppliers, certification of production plants from third parties and the sharing and integration of quality control data;

- **quality of surprise toys:** the design and production of small toys meant to encourage cognitive, emotional, relational and motor development, with a higher safety level than the national standard of the countries in which they are distributed and with periodical audits and certifications of surprise toys;

- **quality of communication:** no advertisement directed at children younger than 12 years of age, with third-party monitoring of commitments, transparent communication and information to consumers and informative labels complying with the related laws.

We strive to ensure the quality of our products with such dedication and passion because have a profound sense of responsibility towards those who have always been **at the core of our attention: the consumers**.

Great Brands in small portions

Ferrero offers some of the world's most famous confectionery products, while respecting the artisanal tradition.

According to the vast majority of researchers and scientists, in matters of nutrition, three principles are of the greatest importance:

1. having a diverse diet;
2. eating moderated quantities of food;
3. engaging in regular, balanced and moderate physical activity.

Ferrero's nutritional policy is based on these three principles, and can be summarised as follows:

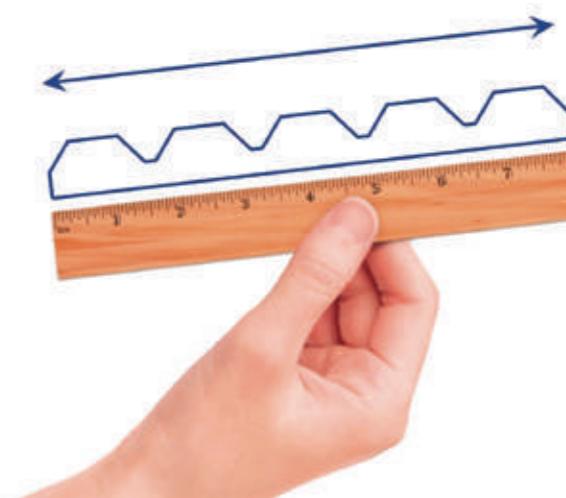
- nourishment is the result of eating all foods, so that talking about single "good" or "bad" foods has no scientific basis;
- **the size of the portion** is increasingly being seen as the decisive factor in controlling food consumption. Ferrero has always presented its products in pre-wrapped portions, with excellent quality;
- a **varied**, not prescriptive or punitive, **diet**, together with physical exercise, is key for:
 - developing a positive psychological and physical balance;
 - making family and social gatherings more enjoyable;
 - instilling and maintaining correct dietary habits;
- breakfast is fundamental for a general nutritional balance. Offering appetising products helps combat the bad habit of skipping breakfast and as a result improves the quality of the whole diet;
- breaking down daily consumption into five or more episodes is now scientifically established;
- of these five occasions, the two daily BMEE (Between Meals Eating Episodes), should concentrate on tasty products with reduced calorific content per portion;
- a good diet must be planned in connection with **regular physical exercise** in order to complete the benefits derived from it;
- education in nutrition, with a solid scientific basis, must be given from early childhood so that a person may develop an informed attitude towards his or her own eating habits and diet;
- the information provided to consumers must be complete, accurate and objective;



- simple recipes, based on tradition, using ingredients that already contain fibre and micro-nutrients such as vitamins and minerals, removes the need to add them artificially.

Ferrero's nutritional policy translates itself into company manufacturing practices applied daily with stringent internal rules. It's important to recall the most relevant ones:

- the **careful selection** from a qualitative, ethical and environmental point of view of **all the raw materials** used, starting with: milk, hazelnuts, cocoa, eggs and coffee;
- the **creation of a unique flavour** quality for each product by blending different natural sugars, fats and milk of the highest quality, coffee, cocoa and hazelnuts selected and roasted directly at Ferrero's plants;
- the presentation of **products in small, individually wrapped portions**, resulting in a reduced intake of sugar and fats;
- the internal engineering development of manufacturing plants and industrial processes in order to preserve the original **characteristics and nutritional values of the ingredients as much as possible**;
- **absolutely no use of hydrogenated oils or hydrogenated vegetable fats**, which are the carriers of trans-fatty acids (TFA's). This exclusion has applied to all Ferrero products for years;
- **zero use of preservative additives**;
- **optimizing the presence of fibre and micro-nutrients**, such as vitamins and minerals, derived directly from the raw materials used, without artificial additives.



The Ferrero Group deeply believes that a better education in nutrition is needed, as an integral part of a healthy lifestyle! There is no need for further legislation or taxes on single ingredients or on categories of components that are indispensable to our food culture; in fact such measures are counterproductive.

Ferrero's individually wrapped small portions

A balanced diet is the key ingredient to a healthy lifestyle. For this reason, Ferrero offers food products that are of the highest quality, unique, flavourful and available on the market in individual pre-wrapped portions. The Group considers that:

- the individually wrapped portions,
- the use of ingredients that are naturally rich in high quality nutrients,
- Ferrero's simple recipes,
- the organoleptic quality of the products

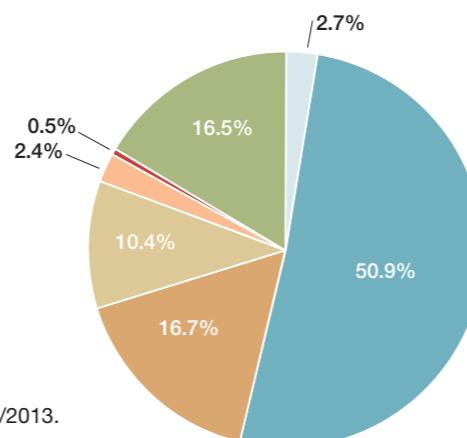
are key factors that make Ferrero's products suitable for a mid-morning or mid-afternoon treat. A truly balanced diet is not one that merely excludes certain foods but rather one that includes, in correct portions, those products that consumers love best, so as to enable them to maintain, over time, a complete set of correct eating habits.

The break down into small portions also makes it easy to integrate Ferrero products within eating episodes, thus respecting the calorie intake recommendations.



Percentage breakdown of Ferrero products* per portion, in grams

- ≤ 5 g
- > 5 ≤ 15 g
- > 15 ≤ 25 g
- > 25 ≤ 40 g
- > 40 ≤ 45 g
- > 45 ≤ 70 g
- > 100 ml o g

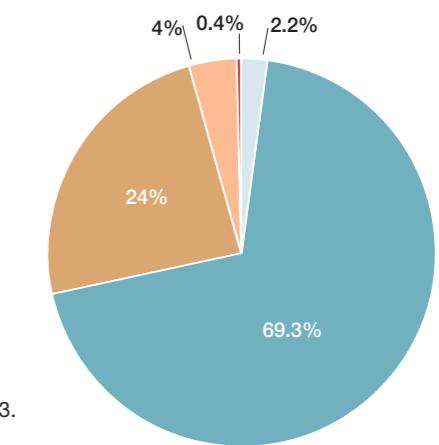


* % in volume of the products marketed in the world, during the period 2012/2013.
Source internal to Ferrero.

The 15g portion of Nutella® is included as indicated in most of the countries where the product is sold.

Percentage breakdown of Ferrero products* per portion, in kcal

- ≤ 10 kcal
- > 10 ≤ 100 kcal
- > 100 ≤ 150 kcal
- > 150 ≤ 200 kcal
- > 200 kcal



* % in volume of the products marketed in the world, during the period 2012/2013.
Source internal to Ferrero.

The previous charts include all the Ferrero products marketed in the world during the financial year 2012/2013, excluding around 3% of products corresponding to the special gift formats, product mix trays, mini or maxi formats and special editions.

Results from Scientific Research Supported by Ferrero

Through a **strong commitment to scientific research**, Ferrero contributes in promoting good nutritional habits: special efforts continue to insist on the importance of not skipping breakfast among young people, while encouraging healthy eating habits for all ages.

In the financial year 2012/2013, in line with corporate values, Ferrero supported research studies, with unrestricted grants, in order to respect the independent nature of scientific assessments and the intellectual freedom of researchers. Some of these studies have been completed, while others are still ongoing, yet close to completion. These include:

- an assessment on the impact of different kinds of breakfast, with or without Ferrero products, to equip the consumer with scientific evidence in support of one's taste preferences;
- specific research studies on the neutrality of cardiovascular and metabolic risks of palm oil consumption.

Studies on the metabolic impact of Ferrero products are still underway, in relation to their consumption within BMEE and in relation to their glycaemic impact (Glycaemic Index and Glycaemic Load). The interim analysis gives an additional confirmation about the metabolic neutrality and the positive role played by the Ferrero products. The studies and their conclusions will be published during the next financial year.

Objectives for 2015

- Strengthen Ferrero involvement in European and national initiatives that promote virtuous attitudes towards the food/health combination.
- Develop a "**nutritional identity card**" of Ferrero products, to provide an evaluation of the metabolic response, and for some of them, the effects on attention and mood.

Quality and freshness

Ferrero's business model is designed to guarantee maximum freshness for products throughout the value chain and minimise waste as much as possible. The Group follows the product's life cycle, from sourcing of the raw materials and packaging up to the finished products distribution to points of sale and consumers' homes.

What is the primary objective?

To offer consumers all over the world products of the highest quality and freshness.

For example, during the Summer, when high temperatures could deteriorate the organoleptic condition of the product before it is delivered to consumers, Ferrero temporarily suspends the supply or withdraws products from sales channels.

With a view to constantly improve, Ferrero is proceeding with the definition and establishment of global guidelines, indicating the reference temperature threshold and corresponding implementation methods (suspension or withdraw) for each product category. To this end, periodic data will be gathered on temperatures in points of sale. Monitoring activities on the quality perceived by Ferrero consumers will also be intensified, through a veritable test of the path followed by the products before they are displayed on the shelves of the points of sale.

Traceability and security

Ever since 1946, from the onset, Ferrero has paid careful attention to the selection of raw materials and ingredients.

It is the **quality** and **freshness** of the ingredients that determine the specific organoleptic characteristics of the Ferrero products and it is for this reason that Ferrero has developed innovative procedures such as the one known within the company as the "**sacco conosciuto**".

This name refers to all the procedures carried out by Ferrero's specialist technicians, such as organoleptic testing and analysis, auditing operations with suppliers and the practices that ensure food safety and guarantee the traceability of the raw materials.

Ferrero's suppliers all over the world are selected and evaluated at Group level according to the same criteria, using an electronic platform that links them to internal expert food technologists.

Also, in accordance with Ferrero's Code of Business Conduct, a system of continuous audits and inspections is carried out directly on the suppliers' production sites, specifically to perform controls of the supplies and the required analyses.

When the raw materials are delivered to Ferrero factories, a Group purpose-built internal protocol, in line with modern risk analysis, determines the types and frequency of the chemical, physical, microbiological and organoleptic tests to be carried out on samples of the incoming goods.

In addition to the strict internal testing system, food safety is also ensured through independent, certified external agency inspections.



Ferrero taste tests

In order for the products to comply with the extremely high Ferrero taste standards, the classic lab tests are integrated with a sensorial analysis, called "**taste test**": a fully rounded evaluation on the taste and smell of the product in all its facets, along with aesthetic appearance.

The analysis includes:

1. raw material taste tests: special attention is paid to these before deliveries are accepted;
2. taste tests of the semi-finished and finished products: attention is paid to these during the manufacturing process;
3. management taste tests, carried out by the heads of production units;
4. "Spider web chart" tests.

For more information on Ferrero taste tests concerning one of the Group's historical products, please refer to the Focus on Kinder Chocolate, described in the appendix to this report.

Innovation

Innovation is one of the main success factors of Ferrero products: in the last fifty years, the Group has created **innovative products** that became, in time, veritable iconic brands. Studies on innovation are carried out by an ad hoc research and technology company operating within the Group. It is equipped with resources and capabilities in order to identify new products able to satisfy and respond to customers' needs, even when latent.

This company, made up of researchers involved in both technical **studies and identification** of new nutritional needs and styles, operates by working with new raw materials and innovative production technologies, in order to create unique products of great taste and quality, as is expected from Ferrero's philosophy and values. The pre-launch process of a new product is long and meticulous: the product undergoes research studies and various checks, in specific testing areas, which are followed by the introduction of said product in select markets. There, it is **offered to consumers** where their degree of appreciation is carefully monitored. A product is ready for industrial-scale manufacturing only when it successfully passes all these extensive tests.

At the moment, the Ferrero researchers are working on more than a **hundred new projects**, some of which are ready to be launched on the market. Behind every product, which might seem simple to the untrained consumer's eye, there is a unique, highly advanced and patented technology that clearly encompasses the great passion Ferrero puts in the innovation of its products.

The advanced standards of Ferrero's manufacturing plants

In Ferrero plants a purpose-built, globally integrated, Structural Analysis Programme (SAP) is in use, which ensures the sharing, integration and centralised management of Ferrero's quality testing process data.

The system is currently operational in the majority of Ferrero's production plants around the world and enables the compilation and comparison of data in a manner that is ever more global and coordinated. In particular, the system focuses on "packages" specific to quality and is operational in 14 out of the 20 total plants. Production lines are also equipped with this quality data sharing system, SAP, which is currently in place for 12 out

of the 20 plants. The rollout for plants that are still not equipped with the system is scheduled for the financial year 2013/2014.

In the factories where the SAP system is not yet operational, a network of connections with the central unit is available, in order to ensure the governance of quality: particularly worth mentioning is the system of daily evaluation of the products through a brief quality report. The excellence of the products and their safety is ensured by a system of internal procedures verified through a regular and frequent audit carried out by the Central Quality Office at the factories and all along the logistics chain. These procedures require that every Group production plant, storage warehouse, and third-party supplier, undergo a test for compliance with the stringent Ferrero specifications, for food safety (in line with the requirements of the FSSC/ISO 22000 standards and HACCP principles) and systems (in line with the requirements of the ISO 9001 quality management systems standard).

The system is further certified by independent external agencies. Ferrero has set the objective to obtain, for all its production plants, certification from the two strictest and most prestigious international standards: ISO 9001 and FSSC/ISO 22000.

This objective automatically includes all new manufacturing expansions, in particular the newest Ferrero factories in Mexico and Turkey.



The following tables report on the certification levels and corporate standards in question along with others currently ongoing in Ferrero factories.

Table 1 shows the factories that have the ISO 9001:2008 Group Certification. Specifically, the certification shares a common manual on quality and valid procedures for the whole Ferrero Group.

Table 2 shows the two Ferrero Social Enterprises (FSE) that have obtained this certification standard: Walkerville, in South Africa has been the first plant to obtain the ISO 9001:2008 certification in 2012, among the FSE manufacturing plants, for its quality management system.

The same objective has been achieved in 2013 by the FSE in Baramati, India. Table 3 indicates the certifications obtained by the Ferrero Group's plants in regards to food safety or accreditation in test laboratories.

In particular, eight Ferrero plants have been certified by independent third parties, in accordance to the FSSC 22000 standard, which represents the highest possible level achievable in the field of food safety certifications (La Pastora, Lithgow, Stadtallendorf, Villers-Ecalles, Belsk, Cork, Sant'Angelo e Quito). Five more factories (Alba, Arlon, Brantford, Poços De Caldas, Vladimir) have compliance certifications towards specific schemes on food safety, such as: IFS, HACCP, ISO 22000 and other proprietary standards required by the distribution chains, etc.

Finally, in line with the corporate strategy, all Ferrero factories prepare and implement the HACCP plan (Hazard Analysis and Critical Control Point), mandatory in the European Union.

Table 1

Plants	ISO 9001:2008* certified since
Alba (Italy)	1999
Arlon (Belgium)	1996
Balvano (Italy)	1996
Belsk (Poland)	2001
Cork (Ireland)	1994
Pozzuolo (Italy)	1998
Sant'Angelo (Italy)	1999
Stadtallendorf (Germany)	1994
Villiers-Ecalles (France)	1997
Vladimir (Russia)	2010
Brantford (Canada)	2011
La Pastora (Argentina)	2000
Lithgow (Australia)	1999
Poços De Caldas (Brazil)	1999
Quito (Ecuador)	1999

* Before 2008, the plants were certified according to the ISO 9001 standard in force in the production year of the said standard.

Table 2

Ferrero Social Enterprises	ISO 9001:2008* certified since
Walkerville (South Africa)	2012
Baramati (India)	2013

* Before 2008, the plants were certified according to the ISO 9001 standard in force in the production year of the said standard.

Table 3

Plants	FSSC 22000 since	ISO 22000 since	IFS, COSTCO HACCP since	ISO 17025 since
Alba (Italy)				2007 2006
Arlon (Belgium)				2006
Belsk (Poland)	2013			2006
Cork (Ireland)	2013			2011
S. Angelo (Italy)	2013			2011
Stadtallendorf (Germany)	2012			2006 2007
Villiers-Ecalles (France)	2012			
Vladimir (Russia)		2013	2010	
Brantford (Canada)				2008
La Pastora (Argentina)	2011	2008		
Lithgow (Australia)	2011			
Poços De Caldas (Brazil)			2007	
Quito (Ecuador)	2013			2010



Cases of non-compliance

ISO 9001:2008 Ferrero Quality Management Systems Certification

In FY 2012/2013, 10 audits were carried out by external certifying auditors within the Group's factories in: Poços De Caldas, Belsk, Cork, Quito, Pozzuolo, Baramati, Walkerville and the Group Central Quality Office (3 times). No cases of "non-compliance" were found with only a small number of recommendations for improvement.

IFS – International Food Standard

In FY 2012/2013, verifications of compliance to that certification standard at the factories in Alba, Arlon, Belsk, Cork and Stadtallendorf resulted in a level of compliance called "Higher Level" with an average score of 97.64%.

Latest news

1. The Indian Social Enterprise production plant in Baramati obtained the quality management system certification, according to the ISO 9001 Standard.
2. In line with internal objectives, five European factories (Stadtallendorf in Germany, Villers-Ecalles in France, Belsk in Poland, Cork in Ireland and S.Angelo in Italy) have obtained the FSSC 22000 Certification and an additional two (Alba in Italy and Arlon in Belgium) have set up practices to this end.

Objectives for 2015 and 2020

1. To set up a **single centre to gather consumer complaints**, where all consumer comments will be received, in a unified and structured manner, in order to create a worldwide data-base, by 2015. This project is currently under construction with the involvement of all corporate units concerned; in particular, the Corporate Department in charge with the development of IT systems has developed an implementation plan for the unique corporate IT package, named CCM (Consumer's Contacts Management).
2. To extend the food safety **FSSC/ISO 22000 Certification to all the factories in the Group by 2015**, with the exception of the Ferrero Social Enterprises, for whom the ISO 9001 Certificate and the FSSC/ISO 22000 Food Safety Certificate is envisaged by 2016. The two certification schemes defined as corporate standard (ISO 9001 and FSSC/ISO 22000) are rolled out through the implementation plan (please refer to previous chapter for details) and will result in the full unification of all manufacturing plants to create a unique Quality System for the Group.

3. To achieve the **integration of the "food safety audits/inspections" for all co-packers and warehouses in the Supply Chain**, so as to have complete coverage by 2020. Furthermore, the supervision of the production chain through audits, inspections and other methods is under full development thanks to a range of initiatives. It is worth noting that, for the financial year 2012/2013, this included the set up of quality management units located in markets worldwide, called Country Quality Managers. These supervisors' "key" roles within the markets are comparable to those of the plants' Quality Managers.

4. To obtain an **ISO Certification at global level with a single manual and procedures applying to the entire Group**: in this way, Ferrero factories all over the world will be divisions of a single "global virtual factory" by 2020.



Kinder® Surprises: the value of playing and safety



Playing and having fun: two activities which have an undoubtedly enormous role in the development of a child, and fulfil the **fundamental growth needs** from a psychological, affective and emotional point of view. Play is the lens through which children observe and experiment with their and other people's world, and it helps them throughout their development.

Article 31 of the United Nations Convention on the Rights of the Child (November 20, 1989)

1. States Parties recognise 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 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.

With this in mind, **over forty years ago**, Kinder® started to offer small surprise toys in some of the product lines designed for its younger audience, **aware of the huge value of games in their lives and in their development.**

In order to implement this task in the best possible way, Ferrero created the "Kinder Surprise Company" in 2013, a Division of the Ferrero Group dedicated to the creation and production of the small Kinder toys. Its vision explains its role and objectives in an unmistakable way:

VISION:

Create the most wonderful play experiences in a surprisingly small format that generates great emotions.

This requires absolute care and attention throughout the whole supply chain for these toys, which Ferrero oversees from their design to the final commercialization.

How Kinder® perceives play

Each surprise toy has always been studied with great care by a dedicated team, with the collaboration of psychologists specialized in the cognitive, emotional, relational and motor development during childhood, working on the basis of four principles:

- 1. Improving a child's abilities**
- 2. Variety**
- 3. A 360° experience**
- 4. Universality**

1. Improving a child's abilities

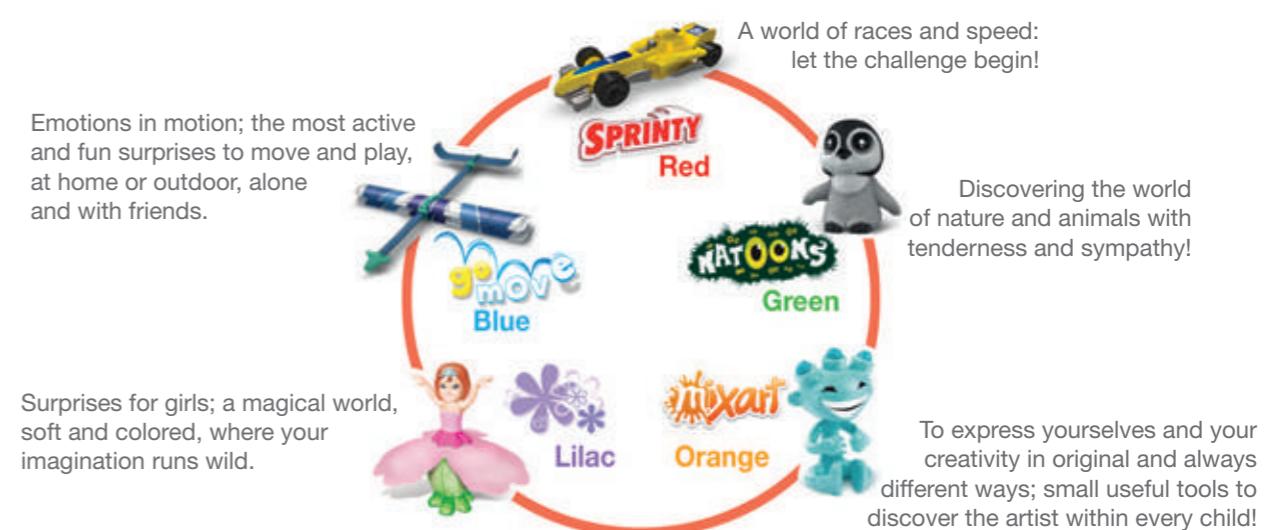
Kinder® toys are created to encourage the development of specific attitudes of the child. In particular:

Cognitive development	The process with which surprise toys are assembled stimulates the logical thinking and the sequencing of actions, thus inspiring problem-solving experiences together with curiosity.
Emotional development	The joy deriving from an achievement (successfully assembling the surprise toy) and from the interaction with small toys conceived to appeal to children and which stimulate creativity.
Relational development	The interaction with friends and parents, facilitated by the proposed game experiences, helps the child to socialize and create moments of joy to share with others.
Motor development	Assembling the surprise toy requires good eye-hand coordination and stimulates creativity, logic and manual skills.

2. Variety: five play categories

Every year, a team of experts develops new ways of playing, aimed at stimulating children's growth in the most holistic way.

The surprise toys found in some of the products are divided into five play categories, containing a wide and balanced assortment of toys and enriched by surprises made specifically for boys and girls.



3. A 360° experience

Kinder® toys are a true 360° play experience made of fun, educative values and gameplay, including on a digital platform.



Surprises that help in the emotional and relational development

A leaflet of educational content

And a world even more rich with tags

4. Universality

The surprises are created to satisfy children all over the world, from different cultures, genders or age ranges. The biggest satisfaction is creating small toys that express universal values and entertain the whole world.

The trust pact with the consumer

For the Ferrero Group, attention to the consumer is not only a value, but a daily practice, based on a sense of responsibility that goes far beyond commercial objectives. The dedication to consumers has always been the premise and the basis of the Group's corporate policy.

The research studies

Putting these principles into practice, the number of research studies focused on consumers has increased year after year: qualitative, quantitative, behavioural studies, active play sessions, all with the target of getting to know consumers better and ascertaining their needs and desires. Even during the different design phases of the toys, the company undergoes tests with parents and children to verify the relevance of a particular toy's idea, or refine its design.

Every year, the assortment is completely renewed with more than 100 new toys, to guarantee the largest variety with the same high qualitative standards, and always inspire new, different emotions.

Safety

The "Kinder Surprise Company" has implemented an internal code for the design and production of Kinder toys. The code dictates that Kinder toys must not only respect the laws and legislations of all the countries in which they are sold, but must also comply with more stringent rules.

The "internal code for the design and production of surprises" (called "MPG Code" in the previous editions of this report) contains:

- norms on the toys;
- very strict voluntary policies and rules, aimed at guaranteeing the extremely high safety of Kinder® toys.

Adherence to compulsory norms

The internal code requires that all Kinder® toys comply with the compulsory norms directly applicable to toys and to the national and international toy standards derived from those compulsory norms:

Compulsory norms in full compliance

- Directive 2009/48/EC on Toy Safety;
- The European toy safety standard (EN71);
- The ISO 8124 international standard on toy safety;
- MERCOSUR standards on toys produced internationally;
- National standards of all the Countries where surprise toys are sold, particularly Canada and Australia, which have some norms that are stricter than the ISO and EN 71 standards.

Beyond legislation: a rigorous internal policy

The internal code contains a very rigorous voluntary policy and a set of rules that guarantee the extremely high safety of Kinder toys, demanding that small toys respect rules that are even stricter than those defined in the norms of the various countries in which they are sold:

- some toys are not allowed, e.g. magnets, tattoos, anti-stress squiggy toys, toy weapons and toys depicting weapons, soap bubbles, erasers;
- particular attention and caution is given to some components of the surprises, for example the suction cups, that must never detach from the toy;
- some norms also applicable to toys have been re-interpreted in a strict way.

The voluntary rules: guidelines

The design of Kinder® surprises

In designing its surprise toys, the Kinder Surprise Company observes guidelines which prevent the possibility of children hurting themselves if using the toys in an improper way.

These guidelines translate into specific points describing the morphology of the toys. These are applied, singularly or in various quantities, to all the toys, according to the type of surprise and its design.

They are:

- absence of spherical or ovoid shapes;
- presence of holes;
- absence of exceedingly small parts;
- three-dimensionality and the articulation of all the parts composing a toy
- pre-assembly of the smallest parts;
- absence of brown parts which might look like chocolate.



The Kinder® prototype surprises approval process

The Kinder® prototype surprises approval process follows a rigorous and thorough procedure carried out by qualified experts in the field:

- **In-house development:** Kinder® surprises are developed entirely by the Kinder Surprise Company.
- **Psychological study:** psychologists study how children interact with Kinder toys and intervene during their design phase, making sure that each surprise contains play elements which help the motor and cognitive development of children.
- **Age grading evaluation:** the Kinder Surprise Company invites psychologists and international organizations to evaluate its toys, in order to establish their compliance with the guidelines about age grading stated by the CEN (European Committee for Standardization).
- **Medical check:** the Kinder Surprise Company subjects all the prototypes of Kinder® surprises to the previous approval of an expert ENT doctor (otolaryngologist), who sometimes suggests modifications that are promptly implemented by the Company. No surprise toy enters the manufacturing stage without the full approval of the specialized physician.
- **Safety Assessment:** the Kinder Surprise Company makes a preventive safety exam on all the Kinder surprises in their project phase. The exam verifies whether the toys, even considering probable improper use by the child, have "ulterior" risks, i.e. risks that were not listed in the technical specifications. A lack of attention to those risks might not fully guarantee the safety of the surprise toy.



In cases when the rigorous prototype approval process reveals the existence of any minimal risks, the toy is immediately modified. By respecting a compulsory norm from the new 2009/48/CE directive on toy safety, which introduced compulsory safety assessments for toys, the "Kinder Surprise Company" approach proves once again to be highly responsible and thorough.

In order to reach this extremely high safety threshold, the "Kinder Surprise Company" imposes upon its toys more rigorous requisites than the EN 71 toy safety standards, especially regarding their chemical composition, and with particular attention to the migration of heavy metals (the limit set by the internal code is lower than the limit deemed acceptable by the EN 71 standard, which is already very strict).

Even on the aspect of mechanical requisites, the "Kinder Surprise Company" has implemented a more rigorous application of the international standard on toy safety (ISO 8124) for its surprise toys: they can only successfully pass the "abuse tests" required by this standard (drop test, torque test and traction test, which simulate children's normal behaviour while playing) only when no part of the toy breaks at all; on the contrary, the international standard allows the toys to break, as long as the broken parts do not create sharp cutting edges.

"Surprises made with very resistant material (PA6): polypropylene or ABS would not pass the mechanical tests"



Therefore, the application of the internal code guarantees the solidity and integrity of the surprise toy with all its parts.

Such durability can only be reached through the use of selected materials, with a high level of resistance that allows them to pass all the abuse tests.

Other highly strict tests made by the "Kinder Surprise Company" on a voluntary base are:

- "cross cut test" to evaluate the peeling of the paint from the toys;
- resistance tests to saliva and sweat, aimed at verifying that no paint or dye can be transferred from coloured toys to the mouth, the mucous membranes or the skin.

The guarantee of a global standard

The "Kinder Surprise Company" guarantees total adherence to its internal code for the design and manufacturing of surprise toys during the entire production cycle. Therefore, all of the Kinder® toys on the market are compliant with the internal code described above. This happens independently from the production location of the toy and from its destination to the various possible markets. It is a **global** approach to the theme of safety, inspired by the most rigorous international safety and quality control standards, and often even stricter than those standards.

The measures activated for this purpose can be briefly summed up into:

- a selected number of manufacturers, approved and monitored by the "Kinder Surprise Company";
- the compliance of these manufacturers with the production directives of the "Kinder Surprise Company";
- an internal Green List updated roughly once a year, that enables the safest choice of materials to use for toys;
- the intervention and monitoring by the "Kinder Surprise Company" during the purchase of raw materials.

Controls/quality

The Quality Department of the "Kinder Surprise Company" makes **constant quality controls** during the whole production process of the toys, according to very accurate specific procedures inspired by state-of-the-art practices in this field.

The "Kinder Surprise Company" has voluntarily adhered to **auditing programmes** proposed by the notified organizations, related to compliance with the norms from national quality labels ("Giocattoli Sicuri" in Italy, Marque "NF" in France, "Calidad Comprobada" in Spain, "SP" Mark in Sweden).

These programmes take into account, when relevant:

- the periodical audits of the Ferrero quality system for toys;
- the collection of samples from the market and from Ferrero warehouses, so that independent third parties and the Ferrero Quality Assurance may verify externally, through all the necessary tests, the consistent quality of the entire Kinder® toys production process.

Certifications

The "Kinder Surprise Company" toys are certified by six European organizations, "notified" to the European Commission and authorized by national authorities and, where requested, by extra European organizations for local certification.

European organizations



Production: growing together with the local communities

Kinder® toys are mainly manufactured in Europe, China and India. This geographical decentralization, far from the usual production locations, has created a large number of jobs in emerging countries.

The principles that guide their relationship with Ferrero are "to train and to build", i.e. transferring forty years of corporate experience and create a direct relationship based on knowledge, exchange and growth.

In fact, pursuing technological advances in production processes contribute to the growth of industry expertise, especially in emerging countries.

The continuous growth of the know-how

Before

- Injection moulding is the traditional process used for the production of most plastic objects.
- In the manufacturing of surprises, the traditional process involved injection moulding and subsequent manual painting.

Now

- The endless search for improvements brought about an evolution in the design of the surprises. Manual painting has been substituted with an innovative printing system.
- This innovation will guarantee a reduction on the use of paints and solvents, which spread into the environment.

Ethical, social and environmental requisites for suppliers

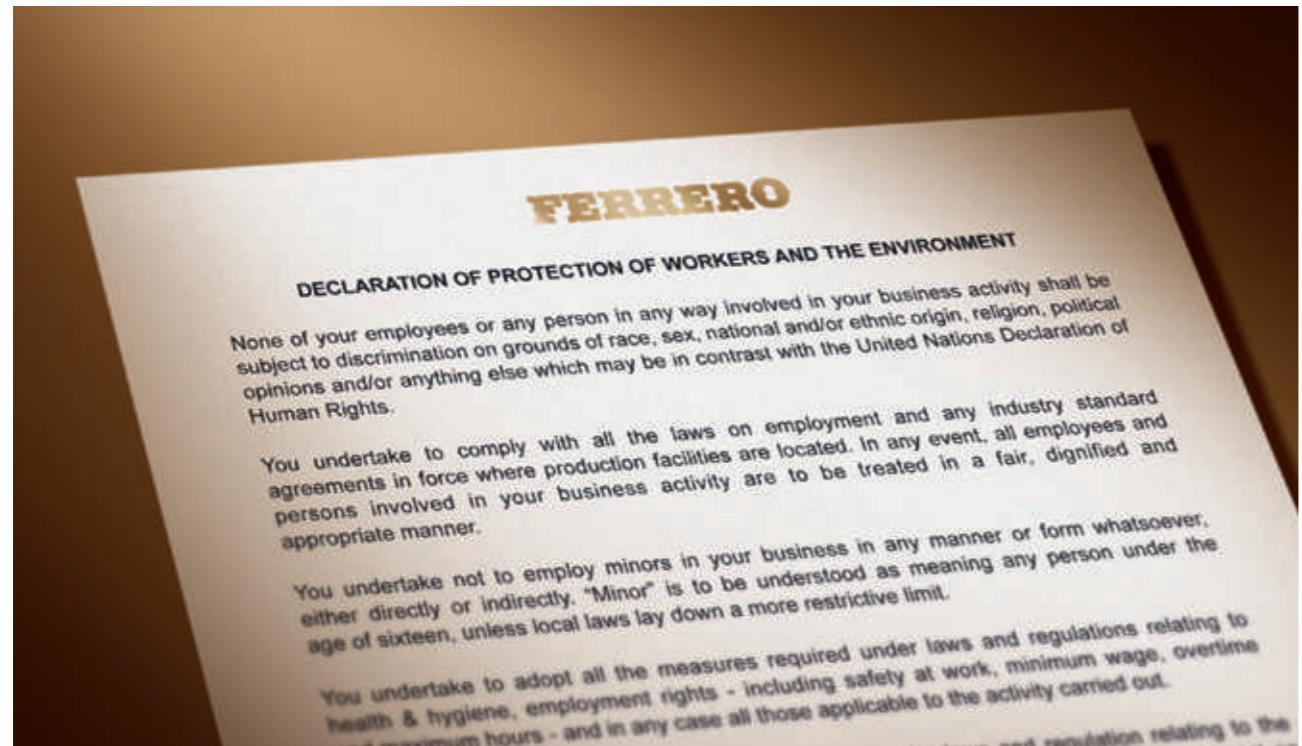
The Ferrero Group has devised and implemented a "code of conduct" for suppliers all over the world, related to the ethical and environmental aspects of the production of surprise toys.

This allows both to maintain the desired high qualitative standards and to keep sharing know-how and expertise with Ferrero suppliers.

The Code, called "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

Synthesis of the ethical, social and environmental requisites for suppliers of Kinder® toys

- The manufacturers of surprise toys must be subjected to an accurate precautionary audit aimed at verifying their respect of the fundamental rights from the Code of Ethics.
- Child labour is not allowed.
- Production plants, the work environment and the services (canteen, halls of residence, lavatories) must comply with all the local norms on hygiene in the workplace and accident prevention.
- Employees have the right to form a trade union or to adhere to an existing trade union, and to freely elect their representatives.
- No employee can be discriminated on the grounds of race, nationality, religion, disability, gender, age, sexual orientation, trade union membership or political affiliation. The disciplinary practice must be carried out in full respect of the law.
- All employees must be guaranteed a salary that is equal or over the legal minimum wage (local or national), both for normal work hours and overtime. Overtime must be regulated according the local norms and customs.
- The manufacturers of surprise toys must respect the national and local environmental norms on the prevention of environmental pollution, the disposal of chemical substances and waste.



Ferrero has developed a programme to assess the degree of implementation of the "Code of Conduct", working with two third-party organizations (SGS and UL) to **annually inspect all Kinder toy manufacturers**, in order to ensure the application and compliance with the ethical requirements that represent core values for the Group.

The inspections carried out by these organizations confirm that the behaviour of the manufacturers of surprise toys is in line with the fundamental spirit and principles of the "Code of conduct", and that there are no compliance issues regarding the safeguarding of human rights and of other extremely important items from the code. The inspections also confirm that, under no circumstances, the use of child labor is neither happening nor tolerated.

All this is particularly reassuring regarding the respect of the working conditions offered by the Kinder toy suppliers. This also allows Ferrero to honour specific commitments on ethical issues with some of its licensors that are particularly attentive to these questions.

Responsible communication

For a company, being socially responsible means voluntarily adopting practices and behaviours that push beyond compliance to laws and regulations; for Ferrero, it means adopting a series of self-regulation norms, particularly regarding nutritional information on labels and advertising, and participating to programmes that promote physical activity and improve dietary choices. Ferrero is convinced that these actions will bring tangible benefits to the social context in which the company belongs, as a responsible citizen.

At a global level, Ferrero partakes in the **International Food & Beverage Alliance** (IFBA) (<https://ifballiance.org>). The IFBA is an association of the world's most important food companies, carrying out wide-reaching self-regulation programmes on the formulation and portioning of food products, the nutritional information for consumers, the advertising directed to children and the promotion of physical activity.

In Europe, Ferrero is a member of several associations: **FoodDrinkEurope** (European federation of food and beverage industries), **Caobisco** (association for the confectionery industry), **European Brands Association** (AIM), and the **World Federation of Advertisers** (WFA).

Moreover, together with other companies in the sector, Ferrero participates in self-regulation initiatives in several fields, for example:

- responsible advertising addressing a young audience ("EU Pledge": www.eu-pledge.eu);
- the promotion of fair practices in trade relations between actors in the food chain, as part of the "Supply Chain Initiative" (www.supplychaininitiative.eu).

Since 2006, in the framework of the European Platform on Diet, Physical Activity and Health, Ferrero has also taken on a series of individual pledges towards the European Commission, particularly regarding:

- labelling;
- advertising;
- the promotion of physical activity through "Kinder+Sport";
- the diffusion of globally correct lifestyles through the support to the "EPODE" programme (Ensemble prévenons l'obésité des enfants www.ncbi.nlm.nih.gov/pmc/articles/PMC3492853).

With the objective of strengthening internal and external credibility, Ferrero annually submits its self-regulation commitments to monitoring activities, certified by independent third parties.



Monitoring of food advertising

At a global level

At a global level, Ferrero applies the “IFBA Policy” on advertising targeting children; according to its principles, the **Group does not target its products’ commercials, be it TV, press or web, towards an audience predominantly made up of children under the age of twelve.**

Consistent with its European effort, as of January 1st 2013, Ferrero has reinforced its commitment to reach a global level, reducing the threshold of the audience under twelve being exposed to its TV advertising from 50% to 35%. Moreover, given the growing importance of the digital world, **Ferrero decided to include corporate websites within the scope of its commitments and their application.**

The results of the external monitoring by Accenture confirm the positive trend of the last five years (https://ifballiance.org/sites/default/files/Accenture_MonitoringReport_IFBA201March2014-1.pdf).

In particular, for the monitoring of TV advertising conducted in 2013¹, Accenture has analysed more than half a million commercials, chosen independently, broadcasted for a period of three months on over 200 channels in 7 countries: China (Shanghai City), Colombia, Malaysia, Russia, Saudi Arabia, South Africa and Thailand. For the first time, the monitoring focused on an audience with only 35% of children under 12.

The aggregated results are not too different from the previous years. The general compliance level of TV advertising is 96.9% (down from 98.9% last year).

The monitoring of press campaigns was carried out in five countries: Brazil, China, Russia, South Africa and Singapore. In this instance, and on the basis of a sample of 49 publications, the compliance was confirmed at a 100% level. In the same countries, the monitoring of 86 corporate websites showed 100% compliance with the company’s pledges.



In the case of Ferrero, the monitoring of the pledges on TV advertising involved a sample of five countries, and the compliance rate² is as follows: China: 100%, Malaysia: 90.9%, Russia: 99.6%, South Africa: 89.8% and Saudi Arabia: 99.9%. The compliance of press advertising was evaluated by Accenture between April and June 2013 in Brazil, China, Russia, South Africa and Singapore. In these countries, no cases of violation were identified. In the same countries and in the same period, online advertising (including corporate websites, as stated above) was also subjected to an Accenture monitoring. No violations of Ferrero’s pledge were identified.

At a European level

With regards to European advertising, Ferrero participates to the “EU pledge” initiative, which delineates a series of commitments towards a responsible approach to food product advertising to children under twelve on TV, in the press and via the Net.

As predicted in the previous CSR Report, 2013 saw a strengthening of the commitment on advertising self-regulation ; for Ferrero, it meant the inclusion of its websites in its self-regulation and a lower threshold of the audience under twelve being exposed to its TV advertising (from 50% to 35%).

¹ Accenture’s report on TV monitoring of the IFBA pledge was written in the second half of 2013.

² These compliance levels are related to the monitoring of commercials shown in the “All spots (All GRPS, All Time)” no-watershed hours.

The new commitments have also been evaluated as part of an **annual monitoring by two external organizations³**:

- **Accenture Media Management** for TV advertising in France, Germany, Hungary, Poland, Portugal and Spain;
- **European Advertising Standards Alliance (EASA)** for the websites of a number of companies adhering to the “EU PLEDGE”, evaluated by the national organizations for advertising self-regulation in ten European countries (Belgium, France, Germany, Hungary, The Netherlands, Poland, Romania, Spain, Portugal and United Kingdom).

In 2013, as a result of the growing attention to the digital world, the “EU PLEDGE” companies decided to discontinue the monitoring of communication in schools (where the compliance rate has proven extremely steady in the last five years, reaching nearly 100%) and to reinforce the pledge’s monitoring of relevant websites.

The total compliance rate of the “EU PLEDGE” companies for TV advertising is 98.1%, in line with the results of the previous year (98.3%).

The compliance rate evaluated after the monitoring of the websites is at 94%, in line with the results of the previous year (95%), despite the increased number of websites under review (from 210 to 347).

In order to **guarantee a dependably high level of compliance**, the Group started a strict **coordination activity between the functions involved in the many aspects of responsible advertising** (marketing, legal, media planning). Ferrero has also developed **internal guidelines on good practices relative to corporate websites**, updated on the basis of the latest EASA monitoring’s results.

In TV advertising, Ferrero’s specific compliance rates for 2013 are as follows: Spain 99.4%, France 100%, Portugal 100%, Poland 98%, Hungary 99%, Germany 99.8%. The Group was informed of


Kinder.
Dear Parent,

We created this site so that Kinder could be closer to you and your family. For your peace of mind, however, your children can access these pages only with your prior approval.

This is why we are asking you to please enter your date of birth

 DD MM YYYY

CONTINUE ➔

some minor cases of non-compliance, but immediately adopted the necessary corrective actions on the implicated TV commercials.

31 of the 347 corporate websites under review belonged to Ferrero; six sites have been evaluated against the criteria of the EU Pledge, while one was carried out against a national code of self-regulation. Here too, Ferrero immediately took the appropriate actions in cases of non-compliance.

Finally, with regard to the participation of Ferrero in the work of the EU Platform, the Group is required to annually submit a report on its individual monitoring of each area in which Ferrero has made commitments: formulation and portioning of products, proper food information and nutrition education, physical activity promotion, responsible advertising communication. The report is then evaluated by an external body on behalf of the European Commission.

³ The data presented in the monitoring report of Accenture Media Management and EASA refer to the first half of 2013.

The labels speak for themselves

In compliance with the current legislation in different countries, Ferrero offers its consumers correct and transparent nutritional information. Adding to the directives of the single national laws, Ferrero pledges to offer additional nutritional information on the front of packs, in order to have more readable and comprehensible labels.

For the Kinder® and Nutella® products and Ferrero snacks, in Europe, the Group has fully implemented the recommendations on nutritional labelling on its labels by FoodDrinkEurope (the European federation of food and beverage industries).

From December 2014, the new (EU) regulation 1169/2011 on consumer information will be applied in Europe: after that date, the Ferrero Group will renew and update its commitment to the provision of additional nutritional information on the front of packs. (<http://pr.euractiv.com/pr-major-food-producers-keep-calories-front-pack-92848>).

The commitment, made together with other companies belonging to FoodDrinkEurope, covers 100% of the products of the Kinder® and Nutella® lines (for which the Group took the original pledge) and 100% of Ferrero snacks.

NUTRITIONAL INFORMATION			
Typical values		Per 100g	Per bar (12.5g)
Energy	kJ/kcal	2360/566	296/71
Fat	g	35	4.4
of which Saturates	g	22.6	2.8
Carbohydrates	g	53.5	6.7
of which Sugars	g	53.3	6.7
Protein	g	8.7	1.1
Salt	g	0.31	0.4

*Reference intake of an average adult (8400 kJ / 2000 kcal)

Nutritional information related to Kinder® Chocolate

The **new logo**, born from a shared effort, offers voluntary nutritional information on the **front of pack**, integrating the new data prescribed by the (EU) regulation 1169/2011, in particular:



*Dietary reference value of an average adult (8400 kJ/2000 kcal)

- the use of values “per 100g” and “per portion”, indicating both the energy value and the amount of nutrients;
- the expression in Kilocalories and in Kilojoules;
- the supplementary indication “Dietary reference value of an average adult (8400 kJ/2000 kcal)”, in close proximity to the calories and Kjoules indications, in case of repetition of the information.

As foreseen in the previous CSR report, in order to guarantee full consistency at a Group level with the commitments taken in Europe, Ferrero continues to offer voluntary nutritional information on the front of packs outside of Europe as well.

Last reporting year, Ferrero introduced nutritional information for Nutella® in the **United States** using the “Facts up front” project framework, while the Kinder® and Nutella® line products in **Mexico** followed the “Checa y elige” nutritional information scheme. Consequently, **Ferrero decided to implement, by the end of 2015, the IFBA Principles on nutritional labelling at a global level for the Kinder® and Nutella® lines**. In order to reach this target, Ferrero implemented a series of feasibility studies aimed at understanding how to integrate the IFBA recommendations in the individual national legislations. The Group has developed internal objectives within the fixed deadline, as listed in the chart below:

Countries/Area	Nutella® and Kinder® front of pack nutritional information
Australia	September 2014
Belarus	September 2014
Kazakhstan	September 2014
Russia	September 2014
Latin America Chile, Ecuador, Peru, Brazil and Argentina	September 2014
Latin America Rest of area	September 2015
China	September 2015
Philippines	September 2015
Japan	September 2015 (Nutella®)
Hong Kong	September 2015
Singapore	September 2015
Thailand	September 2015
Malaysia	September 2015
Middle East and Gulf countries	September 2015
India	September 2015

The chart does not include countries in which the implementation of the IFBA principles already took place. For the not included countries, local legislative dispositions are already in place or the IFBA principles will be applied, anyway, by the end of 2015.

The EPODE programme

Since 2007, Ferrero is a partner of the EPODE project (Together to prevent childhood obesity) and of the European Epode Network (EEN). In the framework of the EEN network, Ferrero kept on participating to national EPODE projects in France, Belgium, Greece and Spain. In 2013, the Netherlands were added to the list; Ferrero participates to the "JOGG" project in the Dutch city of Breda (more details in the chart below).

As foreseen in the previous CSR Report, since 2012, the main project of the EEN platform is EPHE (Epode for the promotion of Health Equity), a project co-financed by the European Commission (DG SANCO). The project, covering the three years from 2012 to 2015, specifically targets economically and socially underprivileged people. In particular, it focuses on socio-economic inequality, with the target of decreasing the risk of conditions related to poor diets or sedentary lifestyles in families with children aged between six and twelve in seven European countries: Belgium, Bulgaria, France, Greece, The Netherlands, Portugal and Romania.

The programme will study the added value of the EPODE methodology on the active involvement of the families, the schools and the community in the local initiatives. EPHE is carried out in collaboration with the European Commission and with other European Universities (Ferrero's 2012 CSR Report contains more details on the partners), involving seven communities, identified as pilot projects in the seven mentioned countries.

These interventions will be the basis for the definition of concrete recommendations aimed at developing good practices to be spread through the European cohesion policies and their structural funds, encouraging local, regional and national authorities to invest in the

EPODE methodology. At the end of the project, the "good practices" will be integrated within a book of recommendations written by EPHE and a series of scientific publications.

In the years to come, the main critical element will be the evaluation of the sustainability of the interventions in the seven pilot communities, to prove their lasting effects in time. For this reason, always in 2013, Ferrero and the other partners of the project decided to extend the project for another full year, in order to measure more accurately its success and its lasting benefits over time.

The importance of the public-private partnerships with social value has been recognized by the European Commission (also from a formal point of view). The Commission defined EPODE as a best practice model to replicate in other countries of the European Union, as it brings together all the major actors in the fight against obesity – the scientific community, the industry, the authorities and the local communities – allowing the identification of specific actions to be taken, thus resulting in a concrete impact on the ground.

For more information:

www.youtube.com/watch?v=NyMps0DpZMA, "Institutional support in prevention", Directorate for Consumer Affairs, DG SANCO.)

Ferrero's contribution in	Programme	Cities and people	Website	Year	EURO
EU	European Epode Network (Primarily EPHE)	4 member states (7 member states with EPHE)	www.epode-european-network.com	2013	150,000
France	Vivons en forme	3,8 million people in 250 cities	www.vivons-en-forme.org	2013	250,000
Spain	Fundacion THAO	75 cities and 155,000 children	http://thaoweb.com	2013	90,000
Belgium	VIASANO	18 cities and about 700,000 people	www.viasano.be/?lang=fr	2013	100,000
The Netherlands	JOGG	35 cities, but Ferrero is only present in Breda	www.jogg.nl/nieuws/2013/09/erste_watertappunt_bij_basisschool_in_jogg-breda	2013	20,000
Greece	PAIDEIATROFI	3 cities	www.paideiatrofi.org/en	2013	50,000

For more information about Ferrero's commitment to the promotion of active lifestyles amongst young people, please refer to the "Kinder+Sport" chapter.





2. The Ferrero Foundation



The Ferrero Foundation

Work, Create, Donate are the values that have guided the city of Alba's Piera, Pietro & Giovanni Ferrero Foundation from the very start.

Founded as an Opera Sociale (social work entity) in 1983 under the direction of its tireless President, Mrs. Maria Franca Ferrero, the Ferrero Foundation operates in social, philanthropic, cultural and artistic areas, mainly for Foundation Ferrero's "elderly" – or rather, employees who have retired from the company – and for the children of its employees. The Ferrero Foundation is situated in a modern compound capable of satisfying the needs of **3,300** ex-employees and their spouses, providing them with entertainment venues, workshops, a library, a multipurpose auditorium, gymnasiums and exhibition halls. Furthermore, for employees' children, there is a state-of-the-art nursery school.

84 year old
Gianfranco Giorgi
worked in Ferrero's sales team for 38 years.

He was the first person in charge of the Opera Sociale



"I started at Ferrero as a salesman. I went around the shops in my van, my favourite product was "Supercrema". The Ferrero family has always taken good care of me; one Wednesday in 1982, we were having a marketing meeting and Mr. Michele wanted to speak to me: he needed the contact details from everyone who had given the company more than twenty-five years of service. I come in every morning; I get a coffee and read my newspaper. I chat with my friends; we talk about old times and people who aren't around anymore. But it's heartening to think about the future and see what the Foundation has become today".

The Ferrero Foundation is not a "granting foundation" – in other words, it does not provide funding or contributions to other social, cultural or humanitarian institutions – but rather an "**acting foundation**": an entity that carries out numerous social and cultural projects (the latter are specifically tied to people and themes with strong local significance in Alba or Piedmont). The Ferrero Group provides the consistent funding that these activities require.

Regarding the Ferrero family's ethical principles, the Ferrero Foundation is a point of reference for the entirety of the Group. It has, in fact, been the role model for both the Stadtallendorf Opera Sociale (born

in Germany in 2008) and all initiatives for employees, the elderly and children supported since 2005 by Ferrero France: such as the social unit, the nursery school, the Mini Club, summer camps, scholastic assistance and scholarships.

With thirty years' experience, the Ferrero Foundation also serves as a model for the Ferrero Social Enterprises set up by the Group in South Africa, India and Cameroon.

The Ferrero Foundation's philosophy and structure have been extensively described in the Ferrero Group's first four CSR reports (available at www.ferreroocr.com).

In 2013, the Ferrero Foundation celebrated its 30th anniversary.

1. In November, during the celebrations, the Ferrero Foundation organised, in collaboration with the Academy of Medicine of Turin, an international conference on "**The success of ageing: a multidisciplinary approach**", which featured a scientific panel made up of professors from the University of Turin. During the study days, the panel reflected on the theme of the ageing population, taking into account social, economic and cultural challenges. The aim was the creation of a society in which young people and the elderly have the opportunity to contribute to the development of society itself and share the benefits.

2) Furthermore, during the Ferrero Foundation's 30th anniversary celebrations, the conference "**The power of waiting. Beppe Fenoglio 1963-2013**" placed a great emphasis on the fiftieth anniversary of the Alba born writer's death. After his death, Fenoglio's work revealed itself to be an absolute and unconditional force, making the author loved by readers and studied by critics: today, Fenoglio is considered a "classic of the twentieth century".

This convention featured a scientific panel made up of professors and connoisseurs of Fenoglio's work who, along with a group of students and young researchers, studied aspects of individual works in further depth, making use of the help offered by the Ferrero Foundation's Beppe Fenoglio archives.

3) Finally, thanks to Caterina Ginzburg's editing, "**Thirty Years of the Ferrero Foundation**" was published; a photography volume dedicated to the people, places and activities that have typified the Ferrero Foundation over the course of its history. The book is an intense and emotional journey through the stories of the women and men engaged in the Ferrero Foundation's activities. Through their words and their faces, there emerges an image of a company that has always put people first, even beyond the workplace. Some of the photos and testimonials in the volume are featured in these pages.

Social projects

At the heart of each proposal by the Ferrero Foundation is the improvement in quality of life for the elderly, encouraging socialising, relationships, commitment and acquaintances. Guaranteeing multiple activities, the Ferrero Group promotes a different and positive idea of old age: it is a time of enrichment in which the true value of an individual's social capital is most appreciated, along with the values, experiences, wisdom and humanity that characterise the elderly.

Around **40 activity groups** are in existence: ex-employees can use the workshops and try their hand at tailoring, ceramics, photography, embroidery, internet skills, foreign languages, drawing and painting and much more. The elderly members of the Ferrero Foundation provide help and support for the foundation's cultural projects, which are becoming more frequent and cohesive over time: they are actively involved in the preparation of exhibitions, welcoming of guests, security services and management of the bookshop during events.

There are also frequent overhauls, dedicated to increasing volunteer activities with the aim of providing practical help to the sick and needy.

75 year old
Marisa Rossi
was employed by
Ferrero for 36 years



"We are the welcoming group...when we see someone a bit hesitant, shy or uncertain we approach them and ask if we can help. The welcoming group was created back in 1988, when there weren't very many elderly people in the Foundation".

Anna Canonica: *"Taking part in the Foundation's activities is like getting a second chance: to be able to do things with other people, without worrying about making time for it, giving voice to your own interests and preferences".*

79 year old
Isidoro Rossotti
worked at
Ferrero as an
administrative clerk

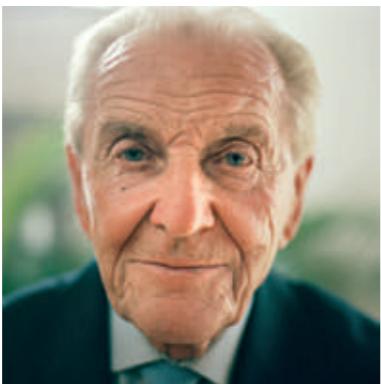


"Laura, the social worker, lets me know if there's someone at home who is unwell and needs help. As soon as I retired I set about doing something for others: volunteering, for me, is a necessity".

The Ferrero Foundation offers elderly people medical, social and health support and enables them to enjoy increased mobility, relationships and cultural activities, with a positive impact on the local community in general.

During FY 2012/2013, around **800 people** regularly visited the Ferrero Foundation, participating in one or more group activity, with more than **1,800 new enrolments**. **70 elderly people** who are still working also make use of the Ferrero Foundation, for some activities.

79 year old
Franco Stradella
worked in accounting
at Ferrero for 40 years



"You see us as soon as you enter the Foundation: we're the ones who welcome visitors and guests to the Auditorium"

Edo Croce: *"When we worked with each other, we addressed each other formally; as soon as you enter the Foundation everything changes, we're all equal, on the same level".*

85 year old
Luigi Varaldo,
known as **Ricu**,
worked at Ferrero
as a plant worker
and team leader



"Everyone calls me Ricu because my middle name is Enrico. Everyone here has known each other for fifty years; we stayed close even after retiring".

Health and social care

Not only can people who visit the Ferrero Foundation attend exercise courses - for example, in 2013, **459 people were split into 12 groups for normal motor activities and 22 groups for targeted motor activity** -, but they can also take advantage of a high level of medical care, established thanks to **collaborations with excellent medical institutions and specialised medical centres**.

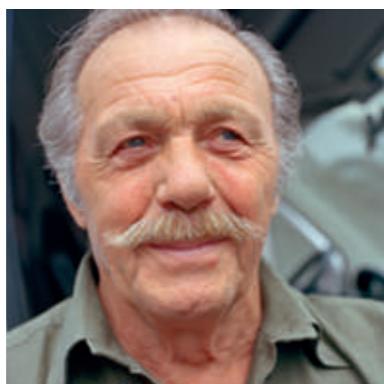
During 2013, the medical services aimed at the Ferrero Foundation's elderly conducted **1,500 visits**; furthermore, **661 patients** benefitted from the service for **treatment of foot problems** and diabetic foot. 11 phototherapy sessions took place.

Home health and social care service and blood test department

In June 2013, a home health & social care service began, designed for Ferrero's elderly and their spouses. The aim is to work with doctors and family members in all cases in which an elderly person requires health assistance at home. This service is not intended to replace the existing IHC (Integrated Home Care) provided by the local health system (ASL CN2) but to integrate it.

Thanks to the Ferrero Foundation's volunteers and the provision of a specifically allocated vehicle, professional nurses can go straight to the patient's home to provide nursing assistance, deliver medicines, accompany the patient to medical appointments and to pick up reports. The presence of the nurse allows blood samples to be taken, even at the Ferrero Foundation, on a weekly basis.

75 year old
Marco Rondone
worked at Ferrero for
30 years as a
truck driver



"I drove a truck, delivering products and raw materials from Alba all over Europe. Taking elderly people to see specialists, even when it's in other cities, makes me feel useful, I'm in contact with people".

From June to December 2013, 173 blood samples were taken and 154 home visits took place.

Research project in collaboration with the local health system (Asl CN2)

Considering the large number of activities regularly organized by the Ferrero Foundation, an idea was formed in collaboration with the local health system to carry out a study, initiated in 2010, to evaluate whether people who actively participate at the Ferrero Foundation appear to be in better health than the general population.

The subjects of this prospective observational study were made up of individuals who volunteered for the medical service, provided by the Ferrero Foundation, and by an external control group made up of subjects working for the local health district, within the 50-89 age bracket.

The results of this study suggest better health conditions amongst the elderly of the Ferrero Foundation, revealing a reduced number of hospital stays and use of emergency medical services, as well as a decrease in mortality rate. Inasmuch as the methodology used is of an observational rather than experimental nature, the resulting hypothesis assumes a value of plausibility (referring to the impact of the medical service offered by the Foundation).

79 year old
Giovanni Muller,
worked at Ferrero for
30 years as a
manager in various
departments



"Computers don't appeal to me. I prefer to read and walk, but I understand that you can't isolate yourself from the world. I read a few foreign newspapers on the computers, like Le Monde and the Economist".

17 year old **Alessia Marengo**, student at the Alba high school for science, helped Giovanni to use a computer: "It was an opportunity offered to us by the school. The first thing I taught Giovanni was how to switch on a computer, how to write text files, how to browse the internet (we use Explorer) and, finally, how to use e-mail. I set up an email address for him".

The Ferrero nursery "il nido"



The company's nursery, running since 2009, can accommodate eighty children with favourable terms for employees; between 5% and 10% is reserved for the children of Alba, determined by the local authorities. In some educational activities the elderly of Ferrero also take part, creating a positive effect on the children's affective and relational autonomy: with their grandparents they bake cakes and biscuits, they make little decorations and games for parties, they tend to the vegetable garden and listen to nursery rhymes and fairy tales.

The educational projects trialed at the nursery are aimed at allowing the children to exercise their own ability to make, explore, learn and communicate.

80 year old
Carlo Verda worked
in Ferrero's personnel
department for 36 years
(he was the secretary
for the "opera sociale",
social work)



"I teach children how to identify plants, the difference between courgettes, tomatoes, strawberries. It's important for children, no matter how young, to know that what's on their plate comes from the garden, even their own garden. I come here to the nursery vegetable garden three or four times a week, the children call me the 'garden grandpa'."

70 year old
Caterina Sappa
worked at Ferrero
for 33 years, in the
payroll office



"I come to the garden every day. While I'm here I play with the children, sometimes playing at tending the garden too: there are little tools, a rake, a watering can; the little ones help me and they watch me as I work. Carlo and I worked together at Ferrero and now we find ourselves together again to manage these activities!"

Particular attention is paid to family relationships, through individual interviews, meetings, section meetings, training opportunities, aimed at making the nursery a meeting place with information, training and discussion for educators and parents.

Apart from the advice of pedagogic experts, the nursery avails itself of the Ferrero Foundation's medical service, which provides advice and training sessions for staff, coordinated with local paediatricians and participates in developing seasonal menus, subsequently submitted to the offices of the local health authority for verification.

73 year old
Nina Grosso worked
at Ferrero for 37 years
as a member of the
administrative staff



"For the children at the nursery I am the 'fairy godmother'. I come to the nursery to see the smallest children once a week. What gets me every time is their curiosity, these wide-eyed little ones. When I'm holding a book they point out the story they want to hear. I'm very lucky!"

"Michele Ferrero" master's degree in food science and technology and human nutrition

As in previous years, the Ferrero Foundation of Alba has continued its collaboration with the University of Turin for the activation of the "Michele Ferrero" Postgraduate master's degree in the food science and

technology of human nutrition. The aim is to train specialists in the relevant technological, medical, biological and chemical fields so that they can join the production system of another food company or a research and development laboratory. The didactic offer provided by the Master's degree takes into account the constraints on productive decisions by the food industry arising from consumers' new demands, changing lifestyles and the effect of globalisation on the composition of the population.

Cultural projects

The Ferrero Foundation is becoming increasingly culturally active. In tune with its own values, it promotes opportunities for discussion in favour of an active, creative and responsible culture: it supports and encourages cultural actions in synergy with local, national and international foundations, institutions and organisations, progressively involved to become founding supporters for long lasting projects believed to benefit the whole of society. Every year the Ferrero Foundation gives national and international **scholarships** to the children of employees and Foundation members and supports scientific research and PhD programmes. Furthermore, it gives encouragement and funding to projects aimed at deepening and interweaving science and research, art and culture, economic and social disciplines, particularly favouring the knowledge of the most important figures in Alba and Piedmont's cultural history, with the hope

of also attracting attention from abroad.

Lastly, the Ferrero Foundation is engaged in the editorship of the magazine **Filodiretto**, a tri-monthly periodical with a circulation of twenty thousand copies worldwide, among the Group's employees and the elderly. The magazine is translated into four languages (English, German, French and Spanish) and offers a report on the Group's initiatives, its individual companies and of the Ferrero Foundation.

89 year old
Rosetta Roggero
worked in a Ferrero
plant for 37 years



"I didn't want to retire, I liked my job and the people and even Nutella...I retired thirty years ago. We meet up once a month to get three thousand copies of Tra L'altro, an internal information bulletin for Ferrero's elderly, ready to be sent out."

"While we're together we talk about all sorts: of those who passed away, the living, how work used to be, memories, recipes...I come to the Foundation every day, it's my second home".

Future projects

The Ferrero Foundation periodically organises meetings as part of the "**conference cycle**".

Within this reporting year:

- Professor Franco Ferrarotti from La Sapienza University in Rome gave a speech entitled "Return to the woods: the man-tree in an industrialised society", in which he explored the possibility of humans in an industrial society opening a dialogue with nature;
- Bruno Gambarotta and Peppino Otroleva analysed changes in the way art, literature and science are treated on television;
- Professor Luca Bonfanti, of the University of Turin, discussed stem cells in terms of science fact and science fiction;
- Francesco Tiradritti told the story of the Italian archaeological mission at Luxor;
- Mario Calabresi, editor-in-chief of La Stampa, talked about certain aspects of Barack Obama's second term;
- Piero Bianucci presented his book "A Sentimental History of Astronomy";
- Stefano Gresta, President of the National Institute of Geophysics and Volcanology, illustrated seismic activity mechanisms, focusing on security, prediction and prevention, with particular reference to Piedmont;
- Stephen Fox and Massimo Pomponi presented, at the Ara Pacis Augustae in Rome, their book about Emperor Publius Helvius Pertinax born in Alba Pompeia, 126 AD.

Together with Turin's Civic Gallery of Modern and Contemporary Arts and in collaboration with the Board For the Preservation of Historical, Artistic and Ethno-anthropological Heritage of Piedmont, the Ferrero Foundation is working on an exhibition project that will be unveiled in **Autumn 2014: "Felice Casorati: collections and exhibitions from Europe and the Americas"**, an exhibition devoted to the paintings of Felice Casorati from the 1910s to the 1950s. The large retrospective dedicated to Casorati will be curated by Giorgina Betolinio: the aim of the project is the creation of an exhibition that mirrors the full spectrum of Casorati's works and experiences. During **2015**, the Ferrero Foundation intends to organise an international scientific summit dedicated to the **Silver Society**, on the subject of ageing and the pursuit of wellbeing for the elderly. The summit will provide an opportunity to analyse technological solutions aimed at making the environment we live in active, intelligent and cooperative, effective in sustaining independent living, able to provide greater security, simplicity, wellbeing and satisfaction.

The summit will address doctors, professional nurses, medical students, health directors and nursing home operators, psychologists and sociologists.

Ferrero's Opera Sociale in Germany

Born at the Stadtallendorf production plant in 2008, Ferrero's Opera Sociale offers ex-employees, the "elderly" of Ferrero, a vast range of activities to choose from to help them live in a healthy and active way. Three pillars in particular support a programme focused on the whole person, with the aim of ensuring a healthy progression into old age.

Mind	Body	Spirit
Information and Learning	Fitness and Nutrition	Sharing and Socialising
Lessons, training on specific expertise, cultural events (e.g. classes for painting, IT, digital photography, theatre).	Sporting activities, relaxation classes, cooking sessions, bike rides, walks, gym classes, communal kitchens.	Spaces to spend time together and share experiences (e.g. coffee mornings, Oktoberfest).



Through the social and intergenerational involvement and the efforts of all its members, the Opera Sociale motivates Ferrero pensioners to organise further activities and projects in an autonomous manner.

Already in 2011, the **Generationsbrücke** (Generation Bridge) project was born: young Ferrero apprentices and members of the Opera Sociale interact with each other, sharing stories and photographs. This intergenerational exchange aims to improve mutual understanding and the sharing of Ferrero's values.

Another project is the **Bücherwürmer** (Bookworm) project: ex-employees read to current employees' children: the volunteers have taken part in reading mentor courses. Amongst future goals there is the aim of capitalizing on the experience gained by organising reading courses, for the children of immigrants.

The "**Der Energie auf der Spur**" (Tracing energy) project ensures the extension of Ferrero's active energy programme to the Opera Sociale through lessons, excursions, interaction and events for pensioners and grandchildren. The aim is to educate them on the importance of responsible and efficient energy use in order to protect the environment and save resources.

Ferrero's Opera Sociale in figures

During the period covered by this report, the Ferrero's Opera Sociale has accommodated **473 ex-employees**, of which:

- 76% are from Stadtallendorf;
- 24% are from Francoforte;
- 36% are women, 64% are men;
- 80% are aged 60 to 74 years and 20% between 75 and 90 years;
- 58,4% have taken part of at least one of the Opera Sociale's activities:

- percentage of retired employees from Stadtallendorf: 63,3%
- percentage of retired employees from Frankfurt: 43,5%.

The Opera Sociale has offered **232 activities and events**, in which **4,611 people** have taken part.





3. The Ferrero Social Enterprises



The Ferrero Social Enterprises

*“...Thank you so much for giving these children and their teachers a place to learn and teach with dignity.
Thank you from the bottom of my heart!!!”*

*Louis Taylor,
South African Ministry of Education official
in charge of relations with corporate
partners in the “94+ School Projects for
Madiba (Mandela) day”, on the completion
of renovation works at the Japie Greyling
school by the Ferrero Social Enterprise in
South Africa.*



Cameroon (Yaoundé)

The Ferrero Social Enterprises are fully-fledged “businesses” based on a purely entrepreneurial concept. In other words, they set out to make a profit. However, they also operate with a “social” spirit, as they are designed to create jobs and combat the serious consequences of unemployment in less advantaged areas of emerging countries. Furthermore, their social spirit encompasses humanitarian initiatives in the communities near which they operate. These initiatives are aimed at safeguarding the health, education and social development of children and teenagers under the motto:



As of 2006, the Ferrero Social Enterprises are present in Cameroon (Yaoundé), and as of 2007 in India (Baramati/Pune, Maharashtra) and in South Africa (Walkerville/Midvaal, Gauteng).



India (Baramati/Pune, Maharashtra)



South Africa (Walkerville/Midvaal, Gauteng)

The mission of Ferrero Social Enterprises

The mission of the Ferrero Social Enterprises is therefore based on two guiding principles:

A) Job creation

In addition to giving people the chance to earn an income that allows them to cover living expenses for themselves and their families, this commitment enables the Social Enterprises to:

- share with workers a sense of dignity and, above-all, the capacity to take their destiny into their own hands;
- ensure professional training and working skills;
- create a work culture, the source of social development and progress.

The manufacturing plants encourage various linked activities with local industries, such as through giving preference to locally-sourced raw materials. This generates further job opportunities, helping to trigger a springboard effect towards economic development and wellbeing for the whole local community.

B) The creation of social and humanitarian projects and initiatives

In order to achieve this objective, a fund is created which is calculated based on the volumes produced annually by the plant. This fund is then transferred to a local bank account and used on a three-year basis to implement specific social projects identified in consultation with local institutional authorities and with the advice and guidance of the Ferrero Foundation. To date, the social and humanitarian initiatives on which the Ferrero Social Enterprises are focused have focused on childcare in the health and education sector. These activities include the rebuilding and restructuring of public schools and nurseries; support for paediatric services and aid for homeless children; and seminars to educate adolescents on the prevention of communicable diseases.

For a broader description of the mission and activities of Ferrero Social Enterprises, please refer to www.ferrerosocialenterprises.com and previous CSR reports, available online at www.ferrerocrs.com.

Following the example of the Ferrero Social Enterprises and starting as of FY 2012/2013, the two new production plants in Turkey and Mexico have also begun to establish a Social Fund with the aim of creating similar projects to support children and teenagers in the communities where they operate.

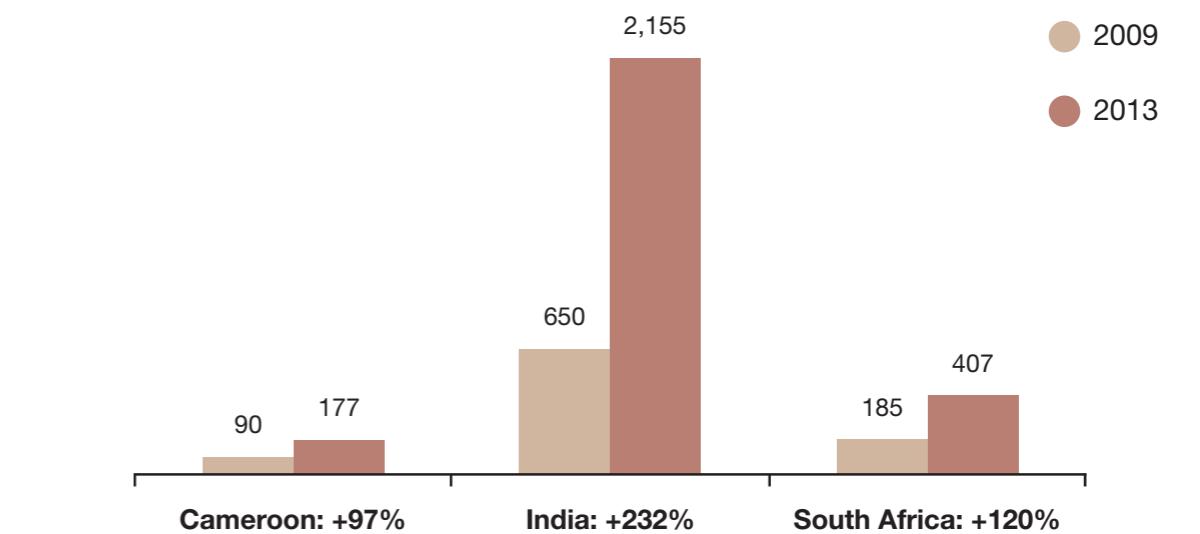
Employment development and social impact

As of 31 August 2013, the Ferrero Social Enterprises have involved the collaboration of 2739 people¹, **equivalent to 9% of the Group's total collaborators**.

In this period, the collaborators involved in each individual Ferrero Social Enterprise are as follows: 177 in Cameroon, 407 in South Africa and 2,155 in India. Despite opening only in 2011, the plant in India had, by 2013, already become the fourth largest plant in terms of labour force absorption capacity, out of the entire Ferrero Group's 20 manufacturing plants.

Considering that the Ferrero Social Enterprises are a relatively recent project, this growth in employment is a testimony to the importance of job creation in emerging countries.

Employment levels in the Ferrero Social Enterprises as of 31/08/2009 and 31/08/2013

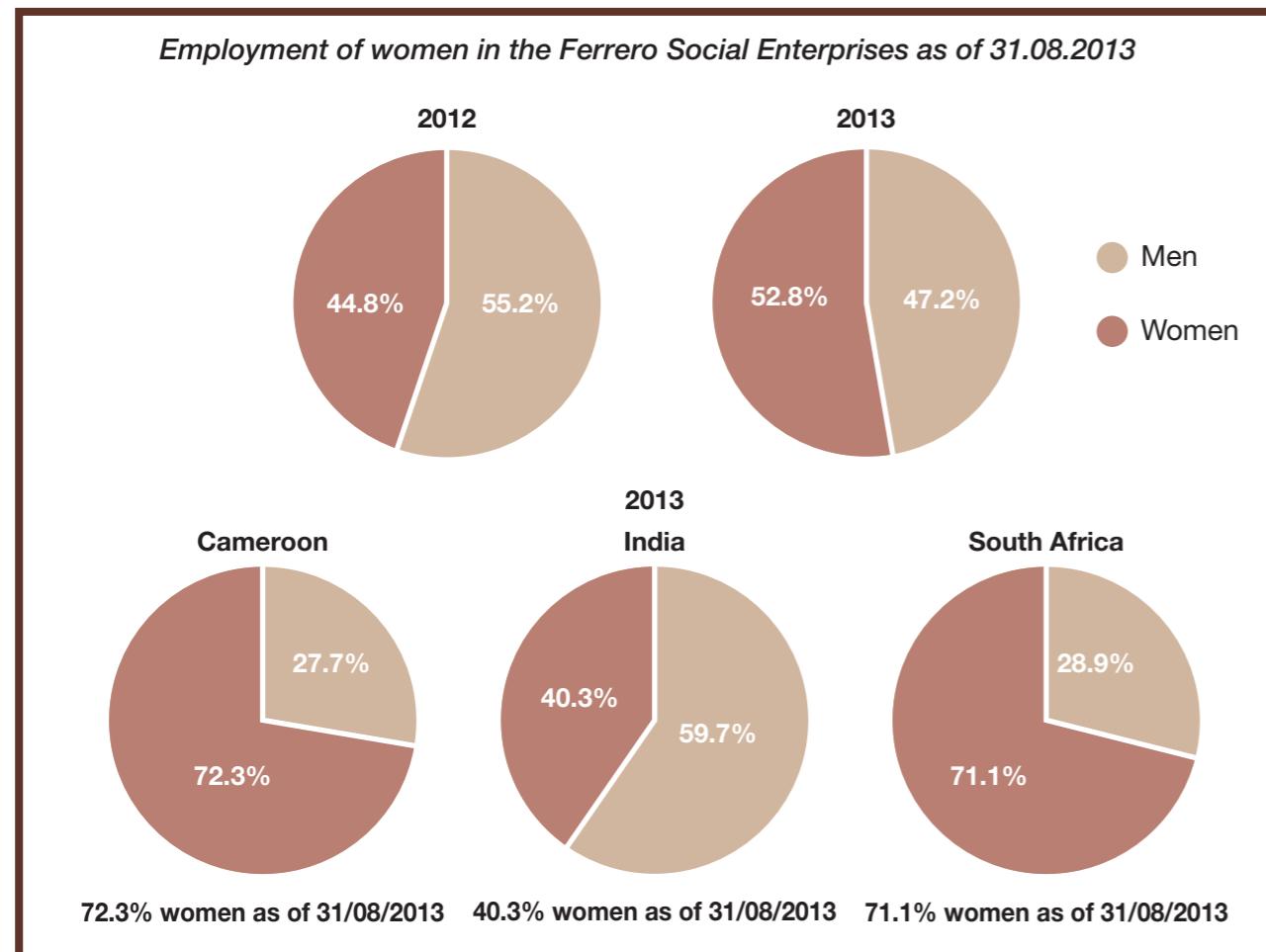


According to Ferrero's internal estimates, for each worker directly employed by the confectionery industry 3 work in related activities (in the provision of raw materials, packaging, logistics, etc.); this contributes to the creation of an upward spiral that favours conditions for sustainable economic development within the communities in which the Ferrero Social Enterprises operate.

The female percentage of the workforce absorbed by the Ferrero Social Enterprises continues to be especially predominant in South Africa and

¹ This data also includes external Ferrero collaborators, such as temporary workers and sales representatives.

in Cameroon. In India, however, the female percentage remains lower, due primarily to cultural, economic and logistical reasons that are a major hindrance to the mobility of Indian women.



The social impact of occupational development is also measured in relation to the composition of the households that benefit directly from the income of staff employed in Ferrero Social Enterprises. On average, the family unit in the countries in which the Ferrero Social Enterprises operate is made up of: 6.5 people in Cameroon, 5.3 in India, and 3.6 in South Africa.

Demographic profile of staff employed in Ferrero Social Enterprises: South Africa case study²

Average age:	less than 35 years of age
Average number of dependents per employee:	2.5
Average number of children per employee:	1.6
Average number of family members:	4.4

²These data does not include temporary workers.

Development of industrial activities: local impact and relevance within the Group

The technology employed by the Ferrero Social Enterprises in their plants is:

- **innovative and automated** for the edible part of the product, with the aim of ensuring the same quality and safety of products manufactured in the rest of the world;
- **manual** for the production of inedible components, especially in the production of Kinder® Joy and other ancillary activities, with the aim of creating jobs for the greatest number of people.

In particular, the production of the edible part of "Kinder® Joy" is realised with powerfully automated machinery in all three factories; the capsule containing the surprise, however, is assembled by hand, with the parts of the toy being inserted.



Ferrero Social Enterprise in India. Some stages of the manual insertion of surprises into Kinder® Joy



In the same way, in India and in South Africa, the Tic Tac® is manufactured with automated technology belonging to Ferrero, while its packaging is semi-manual.

In the 2012/2013 financial year, **90% of raw materials utilised by the Ferrero Social Enterprises were bought from local producers, marking a 15% increase compared to the previous financial year.**

Furthermore on the raw materials, local procurement engenders an increase in job creation in relative areas of the industry. Speaking particularly on the Ferrero Social Enterprise in Cameroon, the decision to transform it even more into a centre for the research and experimentation with of raw materials, rather than the production of semi-manufactured products, allows the reinforcement of the country's balance of trade, thanks to the added value obtained by the export of these products.

Social initiatives

The early years of life are the “most intense” and most important period in human existence³: many things are learned, emotions are developed and the basis of one’s adult personality is formed. This point is, on its own, sufficient evidence for the enormous importance of the Nursery/Primary School project that the Ferrero Foundation established in Alba, Italy. It was conceived as a children’s centre open to both the children of employees of Ferrero’s plant in Alba and children from the local community.

Following the example of Alba, the Ferrero Social Enterprises have become increasingly interested in **social and humanitarian projects in support of the education and wellbeing of pre-school aged children**.

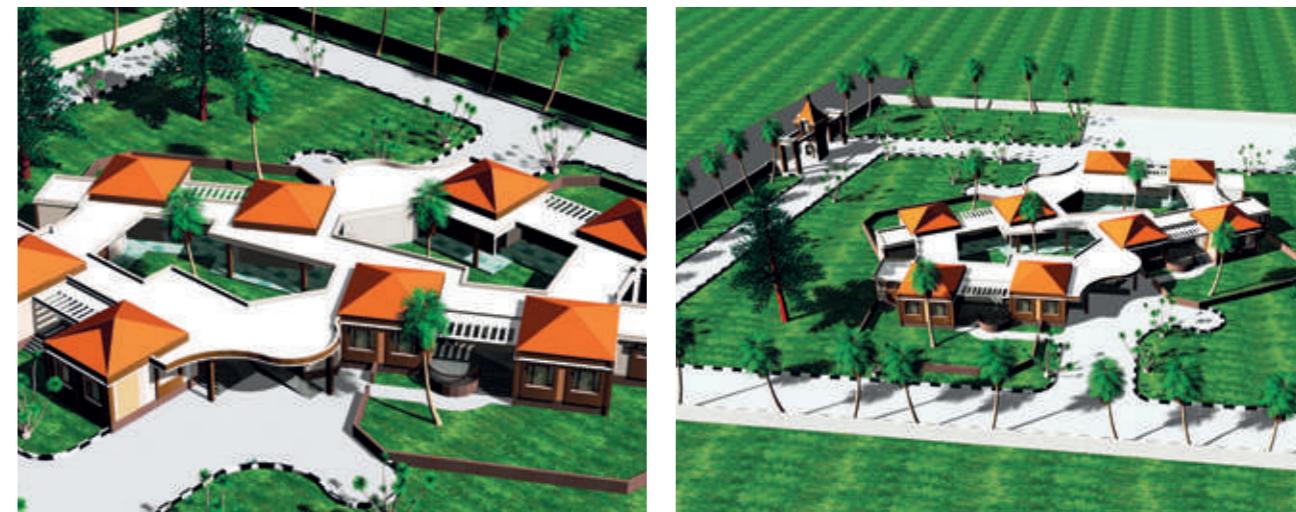
In particular, Indian legislature⁴ prescribes that each industrial plant of a certain magnitude that employs more than 30 workers on a permanent basis must provide, within its perimeter, basic childcare services for their worker’s pre-school aged children. Usually, the implementation of such a service occurs through setting aside a large room and a small number of staff capable of providing a minimum of caregiving to the children inside it. However, as part of the social initiatives carried out by the **Ferrero Social Enterprise in India**, in FY 2012/2013, an architectural study was launched to create a proper **Kindergarten**, about a hundred metres from the plant, within the large area still available around the **Baramati** factory. The highly ambitious aim is to create a structural model for the care and education of not just the workers’ children but also setting aside a percentage of places for children from the communities in which the Ferrero Social Enterprise operates.

The architectural proposal foresees the construction of a large building capable of hosting 120 children per shift, with the aim of adequately meeting potential enrolment rates. The building is made up of modular concentric units, equipped with ample open green spaces both inside and outside the grounds. This configuration will enable further expansion of the facility, if necessary in the future, by adding further similar architectural units.

Construction began at the end of July 2013 and will continue for an entire year: the opening is scheduled for Autumn 2014.

³J. Piaget’s theory of learning

⁴The Factories Act, 1948, Chapter V, Paragraph 48



Ferrero Social Enterprise in India: digital rendering of the Kindergarten project in Baramati

At the request of the Ministry of Basic Education, a project has begun in Cameroon to rebuild from scratch a kindergarten in the Yaoundé district, called Cité Verte, where the families of some of the local Ferrero Social Enterprise's employees also live. The school to be reconstructed is a wooden structure built by the children's parents, which currently accommodates around 90 pupils. The building is in a very poor state, where the sheet metal roof allows water to leak in and the hygiene facilities are highly unreliable. A single latrine – located in the middle of the kindergarten's courtyard – serves around 200 people (the primary school's 90 pupils, other children from an adjacent kindergarten, and the school's staff). The renovation project plans to demolish the current structure and replace it with brick buildings.

Work is expected to commence in FY 2013/2014.

Ferrero Social Enterprise
In Cameroon. Cité Verte
Kindergarten Project:
current wooden building



Ferrero Social Enterprise
In Cameroon. Cité Verte
Kindergarten Project:
current school latrine



Complete restoration of the Japie Greyling School (Daleside/Midvaal/Gauteng - South Africa)

The Ferrero Group's 4th Social Responsibility Report described in detail the complete restoration of the Japie Greyling School in South Africa. Among other things the completion of this project allowed the school to:

- equip itself with a hybrid heating system (solar-electric), thus accommodating the need to reduce the unsustainable fuel costs required to operate the institution's previous heating system;
- prepare itself for the enrolment of pupils with special needs, thus becoming the only institution able to offer such a service in the Walkerville school district;
- increase the number of pupils from 249 in 2012 to more than 400 currently.

Furthermore, thanks to the renovation activities also carried out on sporting facilities and the creation of a new refectory, the school is now able to reinforce and diversify its services, no longer offering them only to pupils and teachers but to a respectable number of beneficiaries, equal to double the number of users before the renovation.





4. Kinder+Sport



Kinder+Sport, future is movement



A change in direction

Kinder+Sport was born in the Nineties as an activity to support the Kinder brand. In fact, Kinder and the world of sports have always shared a common purpose: caring about children's joyful growth. This is why the brand began supporting a number of sports activities, with the intent of facilitating positive lifestyles and providing role models to young people.

In time, Ferrero also recognised the social value and the benefit that Kinder+Sport indirectly brought to the community. This awareness was reinforced by the success of the project, which in FY 2011/2012 had reached 12 million young people in many countries all over the world.

It is this very awareness that lead the Ferrero Group to take an important decision: Kinder+Sport has been promoted to the position of fourth pillar of the social responsibility of the Group, giving up its merely promotional side in order to bring forward its social mission. Today Kinder+Sport is a **proactive global project focused on the promotion of active lifestyles among young generations.**

The project's new direction towards a dimension of social responsibility is also made evident through the evolution of its logo: the size of the word "Kinder" has been significantly reduced. This is in line with the desire to bring out the real nature of the project, i.e. the promotion of physical exercise; Kinder remains the endorser, by proudly and conscientiously spreading its values in society and the joy of moving among children.

In an era of increasingly alarming data about excessive sedentary life and child obesity, Kinder+Sport affirms itself as the Ferrero Group's project focused on inspiring dynamic lifestyles as a fundamental part of children, teens and families' daily lives.



The five paths for change

1. Clear rules

In Ferrero's previous CSR report, the **rigorous guidelines** for the responsible implementation of the project were already outlined and are synthesised in the Kinder+Sport Decalogue, which is based on these fundamental elements:

- consistency in the international development of the project;
- focus on youth sports programmes;
- selection of sports and activities according to a logic of accessibility and educational value;
- interpretation of sports as an occasion for movement and active living, instead than of as a competition;
- selection of skilled partners;
- involvement of “sports ambassadors” able to embody and convey the most positive values of sports and physical activity.



OUR PARTNERS



2. Strong partnerships

Ferrero chose to work with **recognised and qualified** partners all over the world, guarantying the ability to develop specialised programmes, designed for children with an educational focus. Kinder+Sport has always collaborated with Federations, Olympic Committees, national and international sports associations and educational institutions: indispensable and competent allies in the creation and implementation of activities for young people and critical in building innovative visions of physical activity.

3. Educational approach

Education is at the core of all choices, both in the selection of the activities to implement and in the evaluation of innovative projects. The stems from the conviction that sports and movement are fundamental for the growth of young people, both from a social and emotional point of view.

4. “Glocal” development

The objective is to make the project “**global**”, **all around the world**, with a responsible and consistent approach. At the same time, **Kinder+Sport directly works on the “local” territory** in order to integrate physical activity in everyday family life, with great attention to local needs and particularities.

5. Measurability

A solid programme of **Key Performance Indicators** was started to measure the quality of the project in order to ensure a continuous improvement of the results. These indexes constantly monitor the progress of the programme, overseeing the effectiveness of Kinder+Sport activities and their consistency with the objectives.



The new key principles

Kinder+Sport firmly believes that active children are more likely to grow into active adults and that sports and movement are not only essential for physical efficiency but also for the development of life skills as individuals and responsible citizens of tomorrow.

Therefore, Kinder+Sport encourages children to make physical activity a regular part of their lives, resulting in a positive contribution to their growth and, consequently, in the support to families and communities.

It does it in a unique way:

- moving the largest number of children;
- communicating and providing experiences with **the greatest values of sports**: friendship, solidarity, inclusion, the trust in one's self and others, which are all important principles in order to mature and become aware and responsive adults;
- **involving families**, so that physical activity becomes a common and regular practice;
- turning movement into a **positive and fun experience**.

Therefore, Kinder+Sport does it by motivating younger generations to adopt active lifestyles and enabling them to discover **the joy of moving**.

Belief: We think that active children are more likely to grow into active adults.

Vision: To inspire future generations towards the culture of physical exercise to embrace a joyful life.

Mission: Make access to physical activity possible, as an easy and daily practice, for children worldwide.

Joy of moving



Kinder+Sport programmes

Kinder+Sport firmly believes **that actions speak louder than words**. The Kinder+Sport approach is indeed effective, as proven by the growing number of activities worldwide.

More specifically, Kinder+Sport:

- promotes youth championships;
- sustains physical education programmes;
- supplies schools with technical equipment;
- fosters international student sporting events;
- organises multidisciplinary camps to introduce kids to sport;
- cooperates with athletes and champions as 'ambassadors' of active lifestyles, which represent the noble values of sport;
- sponsors sporting events.

An action of particular importance is the renewal of the partnership with ISF (**International School Sport Federation**), specialised in international sport championships at student levels, which boasts a following of forty million young people all over the world. This partnership allows us to promote sports education in the secondary school age range.

The year 2012, in collaboration with influential institutional partners*, saw the activation of a triennial research project called "**Village**". The Village is an experimental project, developed by a scientific committee composed of experts in Sports Sciences from influential Institutions and high standard universities, both Italian (Università degli Studi di Roma Foro Italico, Università di Tor Vergata) and international (Universities of Chichester, Jyväskylä, Thessaly, College of New Jersey, Universities of Georgia and Virginia Commonwealth). The project uses models of sport-ludic activities specifically developed for children, substantially different from competitive sports' training methods.

The project evaluates the effects of original and innovative pre-sportive, creative and didactic games that, through movement, jointly promote the physical, cognitive and social development of children. The research provides a quantitative assessment of the effects of the "Village" method used on the various aspects of child development and a qualitative evaluation of the implementation and realisation of the project and synergies between the different actors. The "Village" project has been approved by the Ethical Committee "Sapienza" of the Umberto I Policlinic in Rome (Prot. n. 969/13).

*City of Alba, Councillorship for Education, Sports and Health of the Piedmont Region, MIUR Piedmont Region, USP Cuneo, CONI Piedmont Region, Università degli Studi di Roma - Foro Italico.



Global results 2012/2013

Olympic Committees

CONI, Italy
DOSB, Germany
COC, Croatia

The FY 2012/2013 was dedicated to the strategic enforcement of the project at a global level. Results show, nonetheless, a noticeable progress over the previous year: about **15 Mln children** were reached all over the world.

Disciplines

- Athletics
- Badminton
- Basketball
- Beach volley
- Diving
- Dodgeball
- Fencing
- Gymnastics artistica
- Handball
- Ping-Pong
- Running
- Sailing
- Soccer
- Swimming
- Synchronized swimming
- Tennis
- Volleyball
- Water polo



Active countries

Austria
Belgium
China
Croatia
Czech Republic
France
Germany
Hong Kong
Hungary
Italy
Mexico
Poland
Portugal
Romania
Russia
Slovenia
Spain
Switzerland
Taiwan
United Kingdom (pilot project)



Projects

Kinder+Sport is a constantly evolving programme, always looking for innovative ideas aimed at spreading the culture of movement and supporting new access opportunities to physical activity. With this objective in mind, Kinder+Sport is working on the following:

Educational and engaging communication

The effectiveness of the project is also based on responsible communication. Kinder+Sport wants to inspire children and families to embrace the culture of movement and help them to adopt active lifestyles. The communication adopts a clear educational tone, aimed at spreading knowledge and awareness with a call to action.

A detailed digital programme, aimed at engaging people in discovering the joy of moving, has been defined.

The first step was the creation of a global website, www.kinderplussport.com, with an Active Lifestyle section intended to become a space to share tips and suggestions, in the coming months.

The international scientific committee that backs the programme and the "sports ambassadors" will contribute to create content, together with witnesses from institutions that collaborate with Kinder+Sport.



Vision and Mission

Our purpose and commitment to involving young people

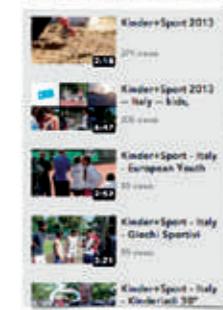
[LEARN MORE](#)

Countries

Kinder-Sport is quickly expanding throughout the world

[LEARN MORE](#)

Follow us on YouTube



Kinder+Sport & ISF Futsal

More than sport with Kinder-Sport at the ISF Futsal World Championship

[LEARN MORE](#)



Global formats

Kinder+Sport wants to spread its reach in a unique way all over the world, including through activities that involve both parents and children together.

An example of this behaviour is the “Kinder+Sport Family Run”, organised with great success in October 2013 in China (Guangzhou and Beijing). The initiative will be carried out as a flagship event **all over the world**, as it represents and conveys the **values of Kinder+Sport**: the joy of moving, of being together, and of sharing emotions as a family.



Working closer and closer with institutions

Amongst its short-term goals, Kinder+Sport aspires to collaborate with a constantly increasing number of Institutions, creating valuable synergies and partnerships that can lead to high quality projects in the framework of physical education.

Kinder+Sport believes that responsibility means offering services to society, working closely with government authorities and institutions, with the aim to bring tangible value to communities.



Research projects

Kinder+Sport supports research projects: alongside the “Village” project, also continues to support the programme “1,2,3...Minivolley FIPAV-KINDER+SPORT”, a scientific monitoring project carried out since 2009 by the Istituto of Medicina dello Sport of Turin (Institute for Sports Medicine). In collaboration with the Italian Ministry of Education (MIUR), the Italian Volleyball Federation and the Italian Olympic Committee (CONI), the project aims at evaluating, during a five-year period (2009-2014), the body mass index (BMI) reduction effects on the pupils of the participating schools.

The data obtained so far confirm the positive consequences of regular and programmed physical activities. The final results will be available in 2016.

Bringing the joy of moving to the workplace

Even internally, Ferrero wants to be a proactive, positive and “inspiring” Group: it is working to start sports programmes for its employees and their families, thus embodying the principles of active living.

Ferrero is currently defining a global programme set to begin in September 2014.

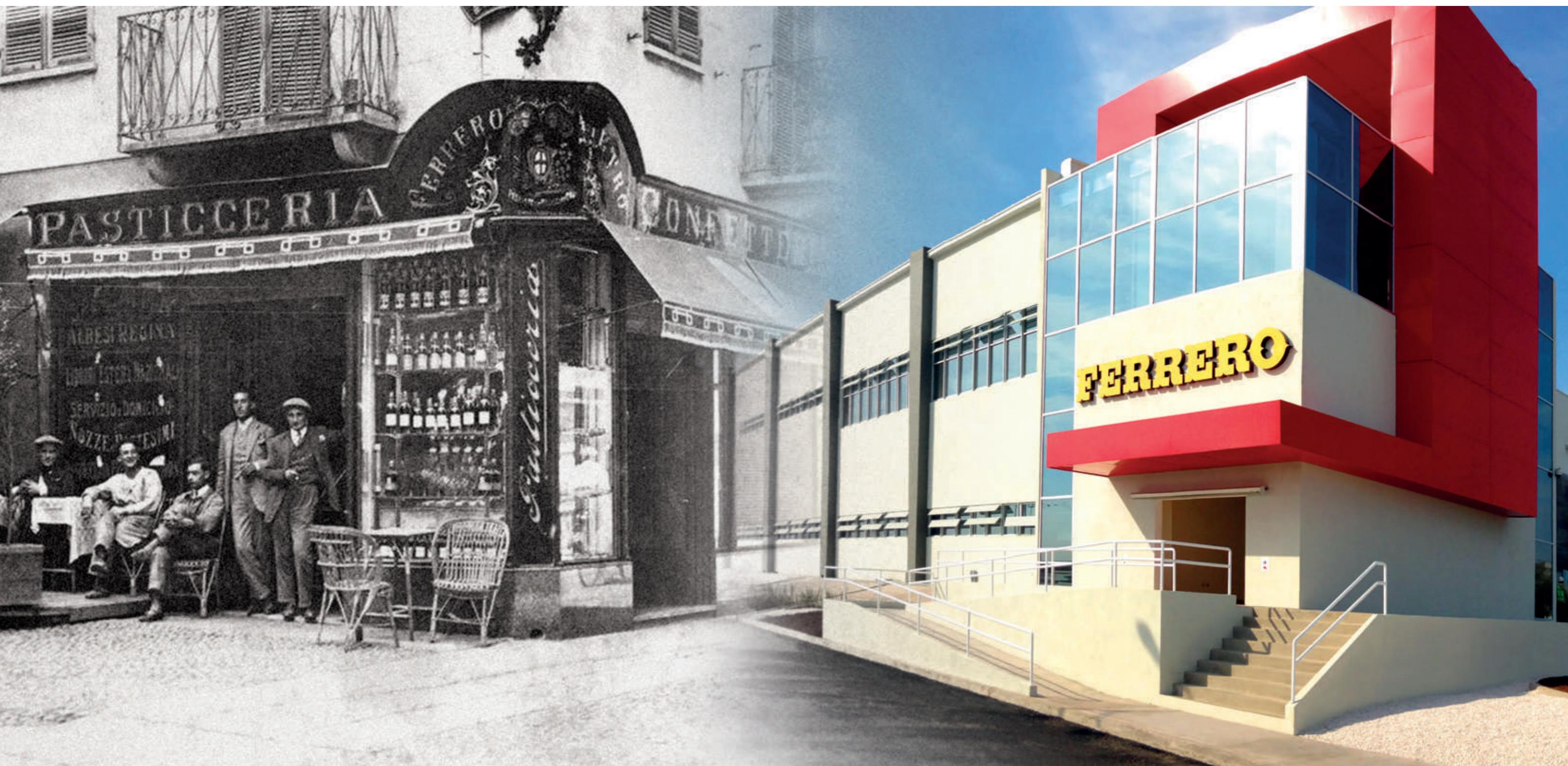
Future goals

Consistency and effectiveness are fundamental to Kinder+Sport. This is why it was decided to look beyond and set effective and ambitious goals. By FY 2017/2018 Kinder+Sport plans to:

- **increase reach from 20 to 30 countries,**
- **move 5 million children per year,**
- **activate at least one programme in partnership with schools and educational institutions in all 30 countries reached.**



Ferrero Group



Confectioner's opened by the Ferrero family in Alba, Italy – 1942.

Plant opened by the Ferrero Group in Mexico – 2013.

Ferrero Group

It is part of Ferrero's social responsibility to offer consumers all over the world innovative products of the highest quality and freshness, manufactured with the most carefully selected raw materials.

Total production	2011/2012	2012/2013	Production increase
in quintals	11,182,000	11,198,000	0.14%

Consolidated net turnover	2011/2012*	2012/2013	Sales increase
€/000	7,670,189	8,100,261	5.61%

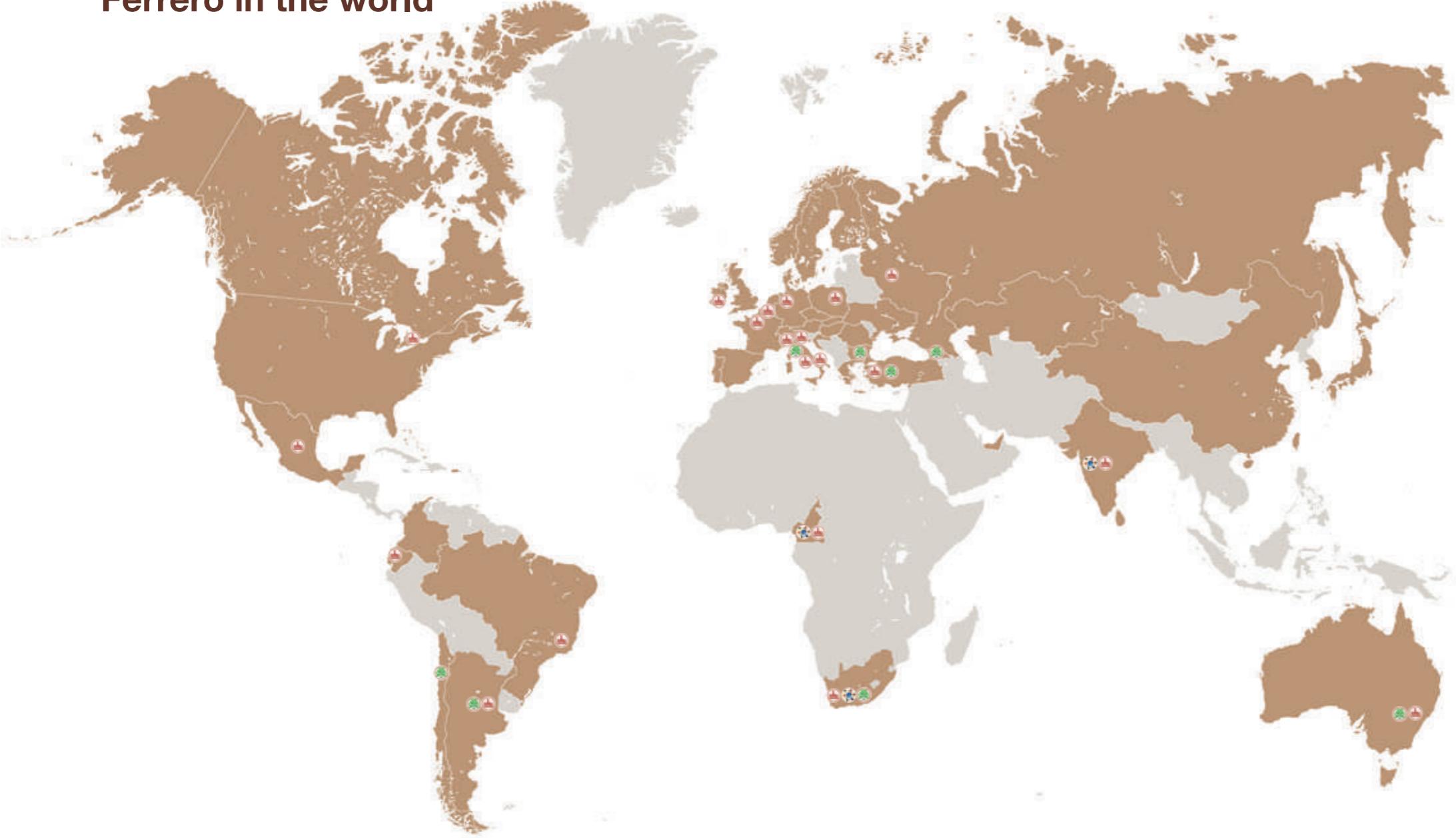
Geographical distribution of consolidated net turnover	Italy	Rest of Europe	Extra Europe
2012/2013	18%	59%	23%

Average Group workforce	2011/2012	2012/2013	Workforce increase
n. of people	22,298	22,831	2.39%

* The FY 2011/2012 data has been restated following a change in the representation of some of the Consolidated Income Statement elements applied by the Group starting from the FY 2012/2013; one of those elements is the reclassifying of some promotional costs, which has directly affected the net turnover.



Ferrero in the world



The Ferrero Group is present in 51 countries.

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

Ferrero products are present and sold, directly or through authorised retailers, in more than 160 countries belonging to the entire international community.



Our 20 production plants

Italy	Alba	1946
Germany	Stadtallendorf	1956
France	Villers-Ecalles	1960
Italy	Pozzuolo Martesana	1965
Australia	Lithgow	1974
Ireland	Cork	1975
Ecuador	Quito	1975
Italy	Balvano	1985
Italy	S. Angelo dei Lombardi	1985
Belgium	Arlon	1989
Poland	Belsk	1992
Argentina	La Pastora	1992
Brazil	Poços de Caldas	1994
Canada	Brantford	2006
Cameroon	Yaoundé*	2006
India	Baramati*	2007
South Africa	Walkerville*	2007
Russia	Vladimir	2009
Mexico	S. José Iturbide	2013
Turkey	Manisa	2013

* Ferrero's Social Enterprise



Our 8 agricultural companies for direct cultivation

Chile	1991
Argentina	1994
Georgia	2007
South Africa	2009
Australia	2011
for manufacturing	
Bulgaria	1996
Italy	2013
Turkey	2013

Raw materials

The total volume of the agricultural and packaging raw materials used by the Group in FY 2012/2013 is 1,402,328 metric tons.

The 10 targets to reach by 2020

For Human Rights		References	For raw materials		References	
For the environment		References	For a healthy lifestyle		References	
1	Enhance the activities of the Ferrero Foundation and of the Ferrero Social Enterprises	Reached and updated	●	100% cocoa certified as sustainable	By 2020	●
2	Sharing the Code of Business Conduct throughout the whole value chain (ABCDE plan)	Reached	●	100% coffee certified as sustainable	Reached	●
3	Promote internal initiatives to support a “culture of diversity”	By 2015	●	7 100% palm oil certified as sustainable and segregated	By 2014	●
4	Self-produced electricity totalling 75% of electrical consumption of all European Plants from self-produced electricity, 25% of which from renewable sources	By August 2014	●	100% refined cane sugar from sustainable sources	By 2020	●
5	Implementation of a global action plan on energy , according to local needs of existing and future plants, aimed at reducing emissions	By 2020	●	8 Implementation of the traceability plan for 100% of hazelnut	By 2020	●
6	40% reduction of CO₂ emissions from production activities (compared to 2007)	By 2020	●	9 100% eggs from barn hens, with respect for animal welfare	By 2014	●
7	30% reduction of greenhouse gas emissions (tonnes of CO ₂ equivalents) from transport and storage activities (compared to 2009)	By 2020	●	10 Ongoing support and expansion of our “Kinder+Sport” programme, by extending it in 30 countries all over the world and moving 5 million children	By August 2018	●
8	Use of packaging made from renewable sources (+10% compared to 2009)	By 2020	●			
9	100% virgin paper and cardboard from a certified sustainable supply chain	By 2014	●			

In line ● Not in line ○

In line ● Not in line ○

Corporate organisational structure and governance

The Group's organisational structure and governance has evolved over time, alongside its global expansion. The key factors that distinguish the history and growth of the Ferrero Group are:

- the continuity of a family-owned business;
- the expansion into new markets;
- the opening of new production plants;
- the constant innovation of the products and their packaging;
- the care for highest quality and freshness.

As of 31 August 2013, the Group was composed of 73 consolidated companies, managed under Ferrero International S.A., a holding company based in Luxembourg, strategic and operative heart of the Group where more than 500 people are employed.

Amongst the updates from the new reporting year, it should be mentioned that the Ferrero Group, aiming to reinforce its raw material procurement division, has acquired 100% of the Stelliferi Group's purchase, processing and commercialisation activities for natural hazelnuts of a high qualitative standard. The acquisition also formed a joint venture company with the same Group in the sector of the preparation and sale of roasted hazelnuts in various processing stages.

Another key decision was the investment in building a new industrial plant in China, aimed at supporting the development of Ferrero products in that area.

Since 1998, Ferrero International has had a traditional model of "corporate governance", with the **Assembly** and the **Board of Directors** (BoD) in a central role. The Chairman of the BoD has a guiding role rather than an executive one. The BoD also includes members who do not belong to the Ferrero family, such as the Vice-President of the Group.

The executive members, chosen according to their skills and competencies, are subject to ongoing assessments based on merit.

The Board of Directors makes use of the **Group Leadership Team**, an executive committee established in 2011 composed of the heads of the principal corporate functions of the company, which plays a supporting role in decision-making and implementation of corporate strategies defined by the BoD.

Furthermore, the Board has established the **Audit Committee**, operating at Group level. The Committee, mainly composed by professionals from outside the Group, provides advice and recommendations to the Board of Directors on the topic of internal control systems; with its help, the Board defines the address guidelines aimed at strengthening the effectiveness of the internal control system, also thanks to the constant reference to international best practices.

Another task of the Audit Committee is monitoring the creation and revision of the individual financial statement of the main company and of the consolidated Group financial statements; it also supervises the effectiveness and efficiency of the external auditors and of the internal control functions (internal audit).

Concerning the operational organisation, the Ferrero Group, from its headquarters in Luxembourg, **directly coordinates all core procedures** (i.e. the fundamental ones), namely:

- research and development activities for products and their related procedures and production techniques, including toys;
- creation of plants/machinery of strategic importance;
- production and transformation activities;
- strategic marketing, institutional, development and operational activities.

The specific initiatives of vertical integration which started in the past years are still ongoing, in particular:

- in the agricultural supply chain for hazelnuts, with the goal of developing more directly-owned plantations and commercial partnerships, in order to satisfy part of the company's demand;
- in the development of energy production and commercialisation, aimed at partly covering the Group's energy needs with investments in high-efficiency plants or renewable energy.

The following operations have been outsourced to third parties:

- the packaging of promotional/particular products (about 25-30% of the production volume of the Group);
- Commercial/distributive activities in some countries and/or for specific products (about 10-15%);
- some administrative/accounting services;
- some IT services.

The reference context

In order to determine and manage its social responsibility politics (CSR), the Group employs an office with specific responsibilities in the CSR field (e-mail: csr@ferrero.com) reporting to the Vice-President of the Group.

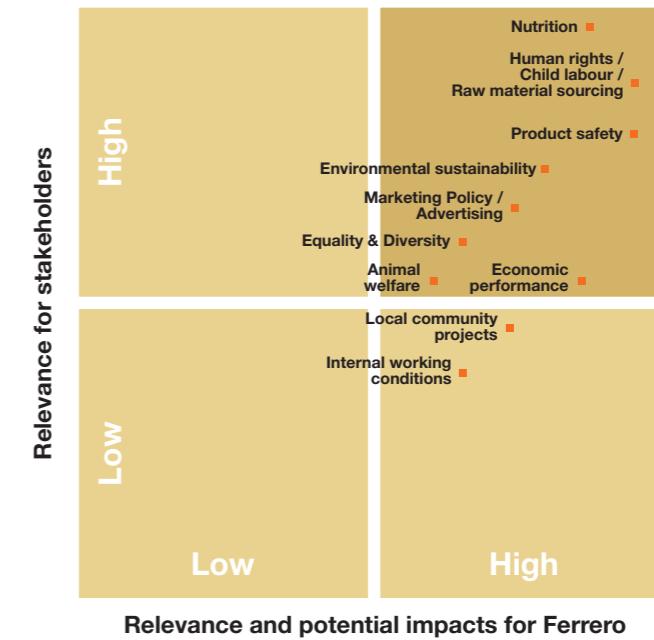
Amongst the activities carried out in FY 2012/2013, it is worth mentioning Ferrero's active participation in the work of the "**Global Reporting Initiative**" Organisation, including its participation in the work groups that drafted the new "Sustainability Reporting Guidelines - G4".

The Group has continued its reflection process on the most relevant themes pertaining social responsibility (selected on the basis of its principles and values), involving the stakeholders and sharing goals and strategies. For the preparation of this CSR report, the Group's numerous national contexts have been involved in updating the mapping of internal and external stakeholders (see the "**stakeholder mapping**" illustration below) and in the analysis of relevant materiality issues.

As already highlighted within the previous CSR reports, the central positioning of the consumer among Ferrero's stakeholders is still evident in this fifth edition.



Materiality matrix



This "**materiality matrix**" illustrates the most relevant issues for both Ferrero and its stakeholders, namely including: Ferrero's nutritional strategy, the defence of human rights, including child labour and the ethical sourcing raw materials, product safety, environmental sustainability, marketing and advertising strategies. These topics are covered throughout separate chapters of this report.

In the area of nutritional strategy, Ferrero created a scientific committee for nutrition, two years ago, chaired by the Vice President of the Group and composed of executives in the company areas involved with nutritional issues, from a technical, commercial, legislative and communicative point of view. The nutritional committee, working according to the strategic guidelines of the Group, holds monthly meetings to develop recommendations to the President and the CEO of the Group; it is consequently responsible for the coordination of operational decisions.

Regarding the different kinds of stakeholder involvement, the Ferrero Group actively participates to debates and work groups in the trade and industry associations it belongs to, in Europe and all over the world (see the list below). Moreover, the Group developed a structured dialogue with several NGOs active in the CSR field. The issues most often dealt with are nutrition, product safety, ethical and sustainable sourcing of raw materials, Ferrero's environmental respect in production activities, marketing and advertising strategies and the Group's CSR strategy.

Ferrero's Added Value

With "Added Value" we intend the economic value generated by the Ferrero Group. The "Net Added Value"¹ expresses the economic value generated in the reporting period, less depreciation and operating costs, which includes payments to suppliers (mainly purchases of raw materials and services).

As shown 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 wage, benefit and remuneration given in exchange of services developed by employees, including social and welfare expenses.

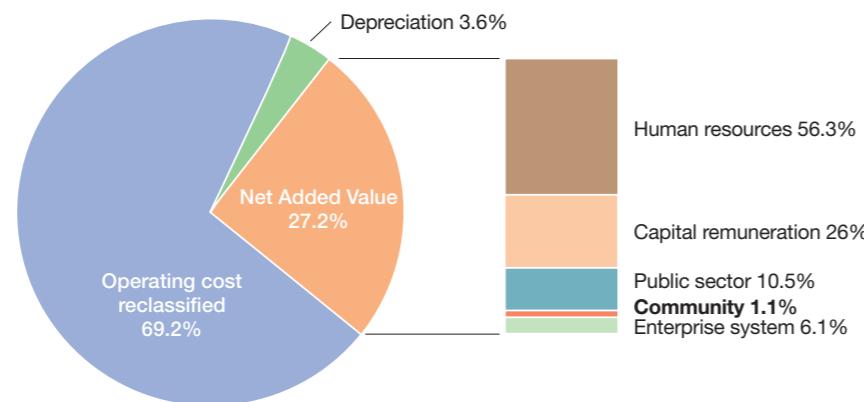
The item "Capital remuneration" includes the distribution of the net profit for the year and the interests paid.

The item "Public sector" represents the amount due to governments in terms of income taxes and other taxes directly connected to the company assets, excluding the taxes and other additional costs related to operating activities (duties and tax burden).

The item "Community" includes investments of fund in social programmes and partnerships with Universities and Research centers.

The item "Enterprise system" represents the economic value retained in the Group, calculated as the difference between economic value generated and economic value distributed.

Added Value generated and distributed - 2012/2013



¹In FY 2012/2013 the "Net Added Value" generated by the Ferrero Group amounted to 2,371 million Euro.

Main associations and organisations in which Ferrero is active at international and European level



Organizations supporting corporate social responsibility

United Nations Global Compact (headquarters in New York)

A strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption (www.unglobalcompact.org).

Global Reporting Initiative – GRI (headquarters in Amsterdam)

A non-profit organisation that promotes economic, environmental and social sustainability by providing a comprehensive sustainability reporting framework (www.globalreporting.org).

CSR Europe (headquarters in Brussels)

A European business network for corporate social responsibility, founded in 1995, and composed of 70 companies and 37 national associations (www.csreurope.org).

Trade and industry associations

AEF Advertising Educational Forum

A non-profit organisation providing information on the regulation of advertising at international level, with particular attention to children (www.aeforum.org).

AIM European Brands Association

An association bringing together the main EU brand industries (www.aim.be).

Bonsucro

An organisation that promotes the sustainability of the sugarcane sector through a metric-based certification scheme (www.bonsucro.org).

CAOBISCO European Association of Chocolate, Biscuit & Confectionery Industries

An association that represents about 2,000 chocolate, biscuit and confectionery companies from the European Union (www.caobisco.eu).

EUFIC European Food Information Council

A non-profit organisation supported by food beverage companies and by the European Commission, providing information and conducting research on food safety and quality (www.eufic.org).

FOODDRINKEUROPE

The European Federation that promotes and represents the interests of the food and beverage sector (www.fooddrinkeurope.eu).

IFBA International Food & Beverage Alliance

An organisation composed of the world's leading food and beverage companies, with the shared objective of promoting a balanced diet and healthy lifestyle (www.ifballiance.org).

TIE Toy Industries Europe

The organisation that represents the interests of toy manufacturers in the European Union (www.tietoy.org).

WFA World Federation of Advertisers

The global organisation of national associations and companies in the advertising sector (www.wfanet.org).

All of these organisations are based in Brussels, with the exceptions of Bonsucro, based in London, and IFBA, based in Geneva.

Ferrero's spending on locally-based suppliers

Below is an overview of the percentage of spending on locally-based suppliers, calculated over the total purchases made by major European production plants²:

Countries	Spending on locally-based suppliers
Italy	93.51%
France	88.60%
Belgium	45.48%
Poland	76.13%
Canada	83.05%
Russia	95.84%
Turkey	98.03%
Mexico	52.10%

² The values refer to purchases made by production plants from national suppliers, compared to the total value of the FY 2012/2013 purchases. Internal company purchases and centralised purchases (such as raw materials and packaging) are not included.

The assessment of potentially significant impacts of the Ferrero sites on local communities is a key element of the Group's strategy. Economic, social and environmental impacts are carefully monitored and Ferrero believes that enhancing local purchases is an important indicator of the Group's long-term presence in the countries in which it operates.

Some chapters of this report include a thorough analysis of the Group's impact on local communities, in particular "The Ferrero Foundation", "Ferrero's Social Enterprises", "Sustainable agricultural practices" and "Minimising environmental impact".

Compliance with laws and regulations

This reporting period saw no significant sanctions for lack of compliance with laws and regulations. Moreover, there were no significant penalties in the form of sanctions or fines due to unfulfilled environmental and social duties.

There were no significant cases of nonconformity to regulations and voluntary codes regarding the impact of products on health and safety throughout their lifecycle and no significant sanctions for breaching laws and/or regulations on the supply and use of products.

Similarly, there were no episodes of discriminatory practices involving key internal or external players and no cases of corruption and wrong-doing.

An internal monitoring process is carried out in some of the Group's companies in order to assess the potential risk of fraud and corruption, with the help of formative sessions on these subjects.

The Group's current information systems do not allow for the extraction of detailed data about the training sessions on anti-corruption policies and procedures. The data will be available starting from FY 2014/2015.

Regarding the contributions from public administration, the income statement contributions and the grants related to assets, for FY 2012/2013, do not represent a significant total value in the consolidated financial year.

Ferrero respects and protects the privacy of the personal data of all its employees, consumers, customers and other stakeholders, with the utmost accuracy and according to the laws in force in the jurisdictions where the Group operates. Safety is the Group's main concern in the selection, definition and use of procedures (including IT procedures) for the processing of personal data and confidential information, in order to protect the rights, the fundamental freedoms and the dignity of each individual.

For more information refer to the Group's Code of Ethics (available online at www.ferrero.com).

The ABCDE Plan (A Business Code Dialogue Engagement)

Since 2011, the Ferrero Group implements the ABCDE plan (A Business Code Dialogue Engagement), aimed at sharing the Group's Code of Business Conduct with all the stakeholders across the value chain.

Based on the principles of Ferrero, the Code is compliant to the Group's Ethical Code (both available via the Internet on www.ferrero.com) and defines Ferrero practices in the following fields:

1. excellent product quality and safety;
2. human rights commitment;
3. environmental protection and sustainability;
4. workplace environment;
5. business integrity practices.

The diffusion of the Code of Business Conduct continued in FY 2012/2013 through meetings with the Group's key stakeholders, allowing everyone to share its principles and start a productive dialogue on specific issues; there were further meetings with the main suppliers of cocoa, hazelnuts, palm oil and eggs. Moreover, all new signed contracts will now include a contractual clause of Acknowledgement and Acceptance particularly in the areas of packaging, logistics and technical purchase of machinery, plants and raw materials.

Ferrero can, therefore, confirm to have reached the target of sharing the Ferrero Code of Business Conduct along the whole value chain in 2013.

The external audit of the activities defined in the ABCDE Plan has been carried out by Deloitte.

The Ferrero Group has not stopped after reaching its target; working on the basis of the Code of Business Conduct, it has created specific verification protocols for the sustainability of agricultural raw materials. In particular, the Ferrero Farming Values protocol for the production of hazelnuts, developed with the collaboration of SCS Global Services, the auditor for the verification of the Ferrero supply chain.

At the same time, the Group is outlining a Ferrero Farming Values protocol for the milk supply chain, as part of the "Milk Supply Chain Partnership" project.

For further detail please refer to the "Sustainable agricultural practices" chapter.

Ferrero's sourcing policy, based on the Code of Business Conduct, complies with the company's principles, with the Code of Ethics, with the "Internal Code for the Design and Production of Surprise Toys", with the "Ethical, Social and Environmental Requirements for Suppliers of Kinder® Toys", with international standard on systems management for food quality and food safety (ISO, IFS), for the sustainability of agricultural raw materials and various environmental standards (ISO and EMAS). In this reporting year, supplier audits have been carried out in the following areas: management of quality and food safety systems, specific certifications for agricultural raw materials, Ferrero codes for toys (for more details, see relevant chapters of this report).

Furthermore, the Ferrero Group has agreed to implement and enforce the "Principles of Good Practices in vertical relations in the Food Supply Chain" (www.supplychaininitiative.eu), adopted by the "High Level Forum for a Better Functioning of the Food Supply Chain".

The official registration to the "Principles of Good Practices" is a further step forward towards enhancing the Ferrero Group's commitments in promoting trust and continuity throughout the whole food supply chain.

In order to manage any alleged breaches of the Principles of Good Practice, the Ferrero Group has implemented a Dispute Management process with other EU companies who participate to this initiative, accepting to solve disputes by way of the options covered in the "Framework for the implementation of Principles of Good Practices" and promoting the use of cost-efficient means of dealing with disputes.

As published on the official website of the Supply Chain Initiative, the Ferrero Group has designated a contact point (fairpractices@ferrero.com) for resolutions at Group level for all Ferrero companies operating within the EU.

Finally, the Ferrero Code of Business Conduct has been reviewed and updated according to the Principles of Good Practices, and an e-learning training session has been addressed to Commercial, Procurement and Legal departments.

Awards and honours

ITALY



July 2014

Brands Award 2014: Retailer Award and Special Social Award

At the 2014 Brands Award, Nutella® was awarded the Retailer Award and the Social Special Award: "This year, Nutella celebrated its fifty year anniversary: it is a brand that has become a mainstay of Italian history and culture. The award confirms the unvaried qualitative and familiar characteristics of this icon of Italian style in the food industry".



June 2014

Conchiglia Award from Moige

The Italian Parents' Movement (Moige) gave Ferrero the "Conchiglia Award" during the seventh edition of "One year of zapping, 2013-2014". The trophy has been awarded to Kinder "for highlighting the beauty of the family in all the possible daily vicissitudes and for teaching the value of taking care of each other".



June 2014

Confindustria Cuneo honours the Ferrero family

During the general assembly of industrial managers in Cuneo, held at the castle of Racconigi on Monday, June 16th, the Ferrero family was awarded a special recognition from Confindustria Cuneo.

The family received a gold plaque with the engraving: "For the values, the entrepreneurial excellence and the social responsibility which were born in Alba and are now spread throughout the world".



May 2014

Reputation Awards 2014

The "Reputation Institute", the world leader in the evaluation of corporate reputation, put Ferrero in the second place in its yearly chart for Italy, for its "best reputation" according to the following seven parameters: products, work environment, governance, innovation, leadership, civil society and performance.



January 2014

Premio Primo Nebiolo - Piedmont Sportsman of the Year 2013 Award

The regional committee of CONI for the Piedmont region awarded the Ferrero family with the "Primo Nebiolo – Piedmont Sportsman of the Year 2013" Award, with the following mention: "A family of entrepreneurs who brought the excellence of Piedmont all over the world, but never lost their

strong bond to their home. A passion for their territory that has always been matched by their passion for sports, as proven by their support to talents, to major international events and to the work of the institutions in order to promote basic sports practices, but also by projects like Kinder+Sport, which help in advocating sports culture amongst young people".



July 2013

"Integrated Communication and Marketing" Disney License Meeting

Ferrero won the award "Integrated Communication and Marketing" at the Disney License Meeting, the event for companies which collaborate with Disney through licensed Disney characters. The projects which allowed Ferrero to stand out "for innovation, value and quality" in the 'Communication and Integrated Marketing' category are related to the Kinder Maxi Surprise and Kinder Joy products.

"Ferrero's Web campaigns represent a brand new way of communicating to the reference target, which form a deep bond between producer and consumer, making its products unique and interesting".

FRANCE

November 2013

Peace and Sport Awards 2013

Ferrero received the "Peace and Sport Awards 2013".

"Through its programme 'Kinder® s'engage pour l'enfance' and its partnership with the French non-profit organisation Secours Populaire Français, Ferrero gives children from less privileged situations the opportunity to participate to unforgettable sport experiences. This programme also offers educational support, help with homework and ongoing, year-round activities in a partner club".



February 2013

Grand Prix ESSEC de la consommation responsable

Ferrero received the "Grand Prix ESSEC" for the project 'Kinder s'engage pour l'enfance'.

The first edition of the awards "Grand prix ESSEC des industries de consommation responsable" took place at the Ministère pour la Reprise d'Entreprise. 200 representatives of the industry and of large-scale distribution met in order to honour the best initiatives developed by corporate consumer goods manufacturers, who distinguished themselves for their superior commitment in the field of Corporate Social Responsibility (CSR) in France.

GERMANY

April 2014

GBE Factory Award 2014



Ferrero won the GBE Award for its investments in renewable energies and for the wide range of measures aimed at reducing CO₂ emissions. In the framework of the European GBE FACTORY (Green Blue Energy Factory), the GBE FACTORY Certificate is awarded to commercial and industrial enterprises that, like Ferrero, set the standards in the field of renewable energy sources.

September 2013

Product of the year 2013



The Tic Tac® Strawberry Mix flavour has been selected as Product of the Year 2013; 7,000 consumers picked their favourite flavour in different categories, and voted for the brightly coloured, fruit-flavoured Tic Tacs in the Confectionery category. The main parameters for selection are quality, taste and ingredients.

November 2012

Packaging of the Year

Once a year, the German Packaging Award puts the best and most innovative developments in the packaging sectors in the public eye. The Deutsche Verpackungs-Museum (German Packaging Museum) gave the transparent Tic Tac® box the title of “Packaging of the Year 2012.” The prize recognises both the design and the sustainable management of the brand. Tic Tacs arrived on the German market forty years ago; with their practical, small box that fits even in the smallest pockets, they soon established themselves as a classic amongst hard candy.



September 2012

ECR – Award 2012

Ferrero received the ECR (Efficient Consumer Response) award by Global Standards One in the “company cooperation” category, which awards projects that stood out for their exemplary cooperation between companies, benefiting industry, commerce, logistics and consumers. Ferrero’s winning project took place between 2009 and 2012, and was created to meet the

growing needs of consumers, support retail partners and conquer a better position in a key market. The complexity of the project, its high level of competence, the partnership and its sustainable implementation in 2009-2012 were all key factors for this 2012 award to Ferrero.

UNITED KINGDOM

January 2014

Best New Licensee, 2013 Licensee Awards – The Walt Disney Company UK & Ireland



The Walt Disney Company U.K. & Ireland awarded Ferrero UK in the category “Best New Licensee” at the 2013 Licensee Awards. The winners for each award category were selected by a jury of Disney senior managers, on the basis of consumer involvement, product innovation, cross-category approach and multi-channel communication.



April 2013

Great Taste Award 2013

The Ferrero Rocher Novelty Bunny won the prestigious Great Taste Award 2013 for its “delicious presentation” and “smooth, creamy milk chocolate with the perfect melting point”.

AUSTRALIA



October 2013

Within its Sustainability Programme, the Government of New South Wales gave Ferrero the “Gold Partner Status”, an award that currently distinguishes only six organisations which stand out for their excellent environmental performance and commitment to sustainability.

CHINA

July 2014

Golden Panda Award – Edition 2014



This event, now in its fifth edition, is sponsored by the Italian Embassy in China, the Ministry of Foreign Affairs and the Ministry for Economic Development, and is promoted in collaboration with the Italy-China Foundation. The Award is given to the companies and entrepreneurs who contributed the most to developing and reinforcing the bilateral economic relationships between Italy and China.

January 2014

The Best Practicing Award of 2013 Public Welfare - the China Public Welfare Committee of The China Charity Festival



Ferrero China was awarded “The Best CSR Practice of 2013” by the Public Welfare Committee of The China Charity Festival. “The Best CSR Practice of 2013” goes to the company who made the most remarkable contribution in benefiting public welfare, judged by third parties from the media, charity organisations, industry associations etc.

June 2014

Most Influential Brand Award and Corporate Sociale Responsibility Award - The 3rd China Finance Summit 2014



Ferrero was awarded the 2014 “Most Influential Brand Award” and “Corporate Social Responsibility Award” during the 3rd China Finance Summit.

“The Most Influential Brand Award” goes to the company/brand which exerts the greater influence in the industry with its constant commitment to the local market, judged by a reviewing committee consisting of media, experts, etc. “The Corporate Social Responsibility Award” goes to the company with an outstanding CSR performance in relation to product quality management, environment protection, giving back to the community while achieving sustainable business growth, on the basis of the CSR report.



November 2013

Ferrero's Kinder +Sport project is awarded at the China Awards 2013

On the occasion of the “China Awards 2013” held at the Museo della Scienza e della Tecnologia in Milan, Ferrero was the only Group to receive recognition for its social responsibility, thanks to Shanghai Master Tennis, a Kinder+Sport project which inspires children to take up sports and lead a more healthy and active life. The event, organised by the Italy-China Foundation and by Milano Finanza, gives yearly awards to Italian companies who capitalised most on the opportunities of the Chinese market, and vice versa.

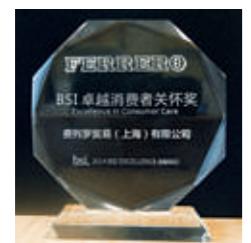
RUSSIA

2012

Miglior prodotto dell'anno 2012



In Russia, Nutella® has been reconfirmed the category “Best product of the year for 2012”. The awards were given by the “Russian Trading Association” and by the “Moscow International Business Association”, supported by the National Chamber of Commerce and Industry.



April 2014

BSI 2013 Excellence Award in Consumer Care

Ferrero was awarded the “Excellence Award in Consumer Care” by British Standards Institution (or BSI) at the Chinese Client Convention. The “Excellence Award in Consumer Care” goes to the company that provides outstanding after-sale services and fast responses to consumer requests.

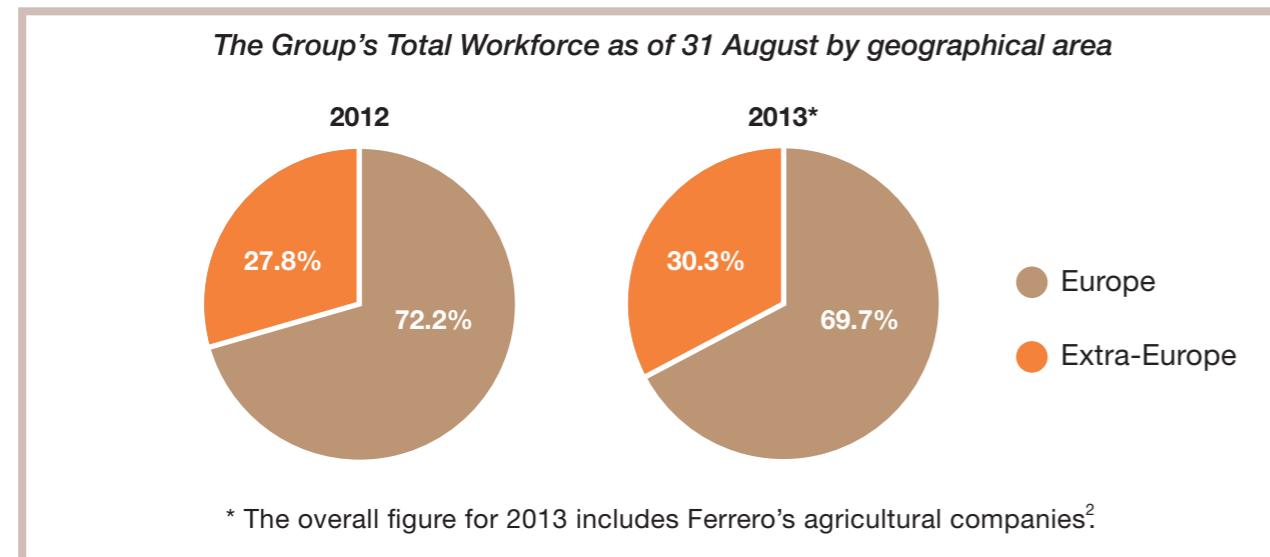
Ferrero Women and Men



Ferrero Women and Men

A constant global growth

While the preponderance of its staff and activities remains strong in Europe¹, the Ferrero Group **continues to increase its presence outside Europe, going from 27.8% in FY 2011/2012 to 30.3% in FY 2012/2013, with an increase of 2.5%**.



5,308 external collaborators, who work with the Group's companies (mostly as temporary workers and sales representatives³), are to be added to the 31 August 2013 headcount of **24,797** employees, for a total of **30,105** women and men.

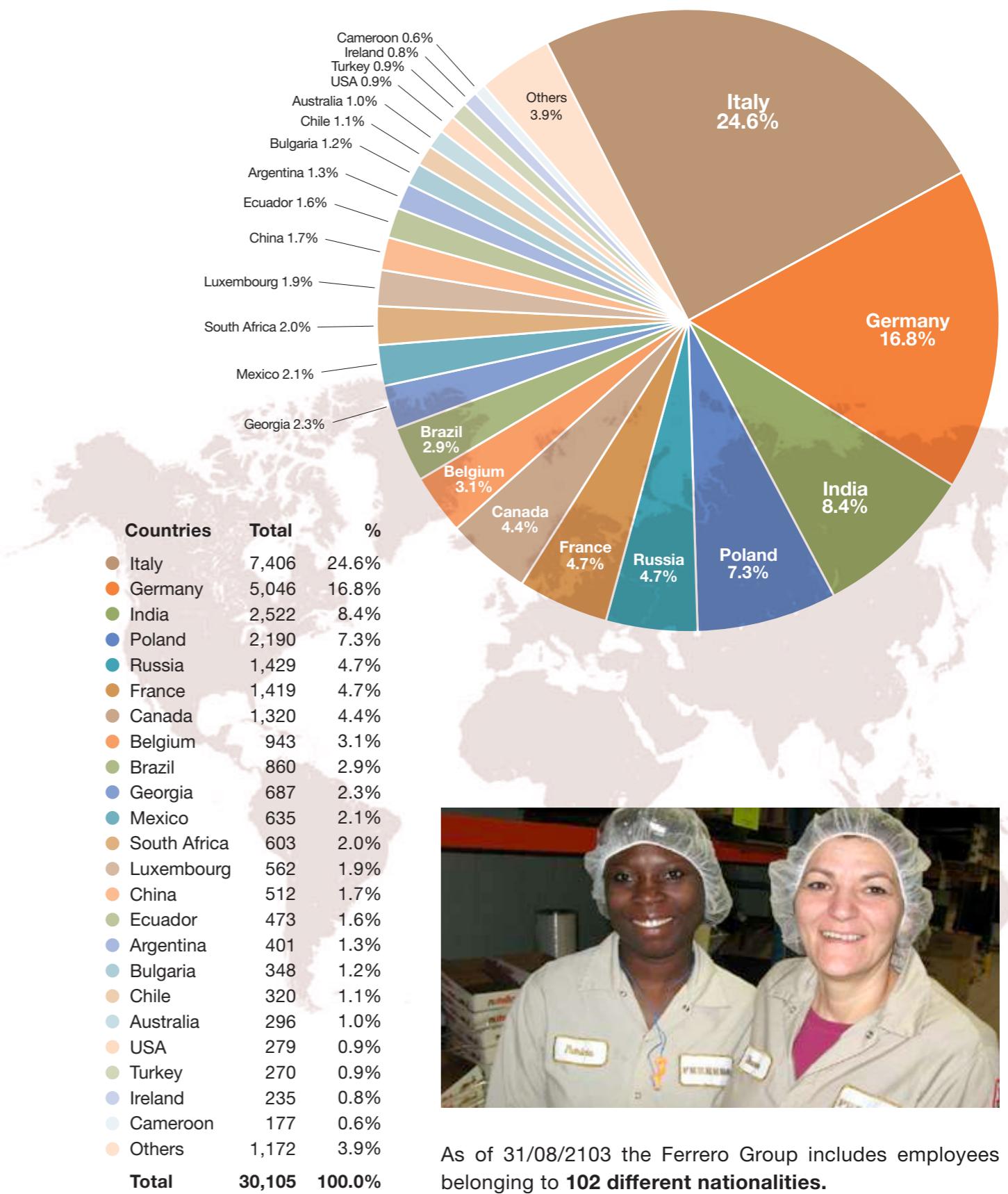


¹ Europe refers to the 28 Member States of the European Union.

² For further details on Ferrero's agricultural companies, specialized in hazelnut cultivation, refer to the chapter "Sustainable agricultural practices" of this report.

³ This figure also includes internships and other direct collaborations, excluding service contracts.

Internal and external Ferrero Group collaborators as of 31/08/2013, per country



Ferrero people in numbers

Total workforce*	As of 31/08/2012	As of 31/08/2013
n. of employees		
Total	22,850	24,797
Of which are women	43.3%	42.7%

*Total workforce includes only staff directly employed by Ferrero. Unlike the 31 August 2012 workforce, the 2013 figure includes Ferrero's agricultural companies. The figure published in Ferrero International's consolidated financial statements on 31 August 2013 refers to the Group's average workforce in FY 2012/2013, which is equal to 22,831 employees.



The total workforce as of 31 August 2013 shows an increase compared to the previous year, due to both the inclusion of Ferrero's agricultural staff (1,430 employees) and the increase of permanent contracts, while Fixed-Term employment contracts have remained the same.

The slight drop in the female percentage can be explained by the fact that the figure includes, for the first time, the predominantly male staff of Ferrero's agri-companies.

The very nature of Ferrero's products, being mainly chocolate based, strongly influences market demand, which sees a spike in particular parts of the year in concomitance with festive occasions. This means that around 70% of production is concentrated in 7/8 months a year (winter season); this situation means that hiring Fixed-Term staff for seasonal work is vital on Ferrero's part.

Total Group workforce per type of contract

Type of contract	As of 31/08/2012		As of 31/08/2013	
	n. of employees	%	n. of employees	%
Fixed-Term*	4,998	21.9%	5,671	22.9%
Permanent	17,852	78.1%	19,126	77.1%
Total	22,850	100%	24,797	100%

* As of 31/08/2012: 10.4% Fixed-Term contracts, 11.5% seasonal.
As of 31/08/2013: 8.1% Fixed-Term contracts, 14.8% seasonal.

It should be noted that the percentage decrease in permanent contracts is due to the inclusion Ferrero's agricultural staff, which, by the nature of the work involved, necessitate the employment of seasonal workers. The Group's other enterprises confirm an increase in permanent contracts.

Part-Time/Full-Time	As of 31/08/2012		As of 31/08/2013	
	%	%	%	%
Part-Time	10.6%		8.4%	
Full-Time		89.4%		91.6%

It is worth noting that, within the Italian operation, the use of part-time eight-month contracts is widespread, enabling a balance between the company's seasonal needs and the employees' commitments outside of work.

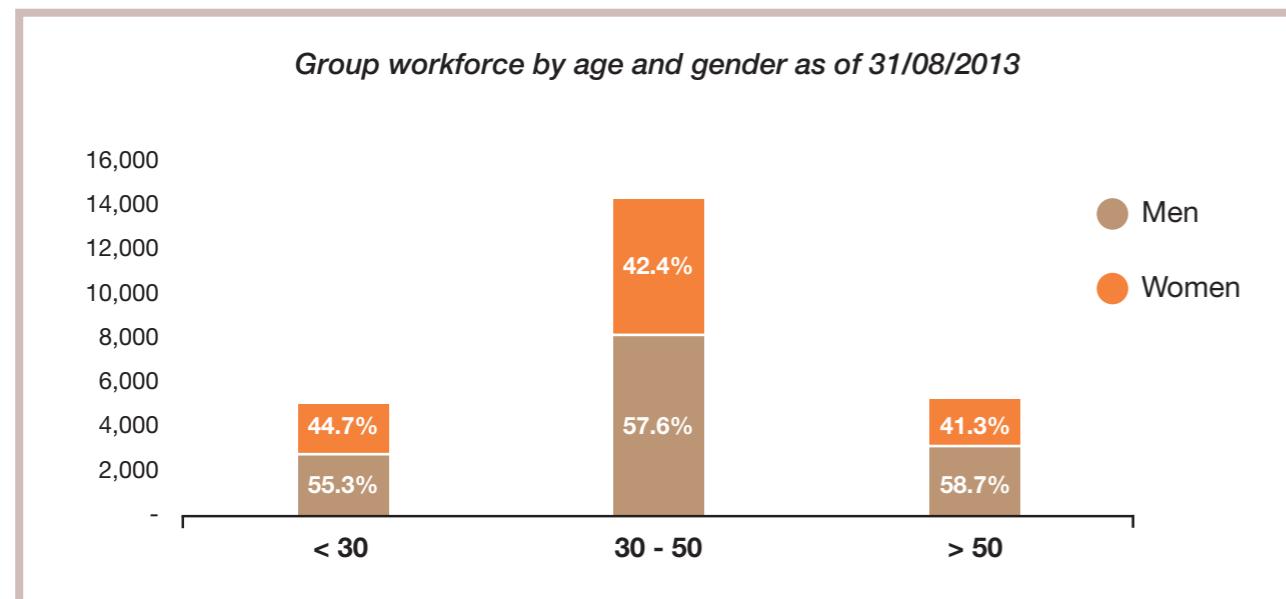
Total Group workforce by category

Category	As of 31/08/2012		As of 31/08/2013	
	n. of employees	%	n. of employees	%
Workers	13,360	58.5%	14,338	57.8%
Employees	6,792	29.7%	7,698	1%
Middle managers	1,878	8.2%	1,911	7.7%
Senior managers	820	3.6%	850	3.4%
Total	22,850	100%	24,797	100%

Within the Group, senior managers have a role that is characterised by a high degree of professionalism, autonomy and decision-making, and contribute to the direction and development of the business strategy.

Age ranges

The chart below shows the distribution of age ranges among the Group workforce.



Group workforce by age range

Age range	As of 31/08/2012		As of 31/08/2013	
	%	%	%	%
<30	21.9%	20.5%		
30 - 50	60.8%	57.8%		
> 50	17.3%	21.7%		
Total	22,850	24,797		

Due to the increasing average age of the staff, there has been an increase in people over the age of 50 years.

58% of the 19 senior managers on the committees described in the paragraph "Organisational structure and governance of the Group" are over the age of 60, 21% are between 51 and 60 and 21% are between 40 and 50, including the Group's CEO. In these committees the presence of women claimed by the Chairman of the Board of Directors.

Presence of women and men

Compared to the previous reporting year, female employment in the Group has increased in Europe, while outside of Europe there was a decrease due to the inclusion of Ferrero's agricultural companies in the headcount. Furthermore, the presence of women is increasing among middle and senior managers.

The percentage of part time female employees is also growing significantly. The increase has been particularly notable in European countries.

Group Workforce as of 31 August	FY 2011/2012			FY 2012/2013		
	Total	Men	Women	Total	Men	Women
	n. of employees	%	%	n. of employees	%	%
Geographical Area						
Europe	16,505	58.9%	41.1%	17,280	58%	42%
Extra Europe	6,345	51.1%	48.9%	7,517	55.9%	44.1%
Category						
Workers	13,360	53.3%	46.7%	14,338	53.8%	46.2%
Employees	6,792	55.8%	44.2%	7,698	57.6%	42.4%
Middle managers	1,878	70.4%	29.6%	1,911	69.9%	30.1%
Senior managers	820	87.9%	12.1%	850	87.4%	12.6%
Type of contract						
Permanent	17,852	6.3%	39.7%	19,126	61.1%	38.9%
Fixed-Term	4,998	43.8%	56.2%	5,671	44.6%	55.4%
Part-Time/Full-Time						
Part-Time	2,421	32.4%	67.6%	2,074	22.6%	77.4%
Full-Time	20,429	59.6%	40.4%	22,723	60.5%	39.5%
Total workforce	22,850	56.7%	43.3%	24,797	57.3%	42.7%



Turnover

Below are the figures relating to male and female staff turnover, subdivided by geographical area and age range, excluding temporary seasonal workers. The Staff Hiring data corresponds to retirements, voluntary resignations or expired contracts, while the Staff Leaving data corresponds to the Group's new hirings. It should be noted that, during FY 2012/2013, the Ferrero Group hired 3,000 new staff members⁴, of which, **1,496** women (49.9%) and **1,504** men (50.1%).

Staff turnover by age range – Europe

Europe	FY 2011/2012					
	Staff Leaving			Staff Hiring		
	Women	Men	Total	Women	Men	Total
<30	57	76	133	177	239	416
30 – 50	138	166	304	150	171	321
>50	92	101	193	6	14	20
Total	287	343	630	333	424	757
%	4.23%	3.53%	3.82%	4.90%	4.36%	4.59%

Europe	FY 2012/2013					
	Staff Leaving			Staff Hiring		
	Women	Men	Total	Women	Men	Total
<30	52	49	101	164	163	327
30 – 50	109	130	239	141	177	318
>50	62	113	175	6	22	28
Total	223	292	515	311	362	673
%	3.07%	2.91%	2.98%	4.28%	3.61%	3.89%

Staff turnover by age range – outside Europe

Extra Europe	FY 2011/2012					
	Staff Leaving			Staff Hiring		
	Women	Men	Total	Women	Men	Total
<30	207	172	379	371	404	775
30 – 50	256	310	566	328	386	714
>50	92	32	81	32	32	64
Total	512	514	1,026	731	822	1,553
%	16.50%	15.86%	16.18%	23.56%	25.36%	24.50%

Extra Europe	FY 2012/2013					
	Staff Leaving			Staff Hiring		
	Women	Men	Total	Women	Men	Total
<30	349	238	587	680	527	1,207
30 – 50	385	308	693	481	580	1,061
>50	72	47	119	24	35	59
Total	806	593	1,399	1,185	1,142	2,327
%	24.31%	14.11%	18.61%	35.75%	27.18%	30.96%

⁴ The figure for FY 2012/2013, compared to that of FY 2011/2012, also takes into account new appointments and terminations at Ferrero agricultural companies.

Staff turnover by age range - Group

Group	FY 2011/2012					
	Staff Leaving			Staff Hiring		
	Women	Men	Total	Women	Men	Total
<30	264	248	512	548	643	1,191
30 – 50	394	476	870	478	557	1,035
>50	141	133	274	38	46	84
Total	799	857	1,656	1,064	1,246	2,310
%	8.08%	6.61%	7.25%	10.76%	9.62%	10.11%

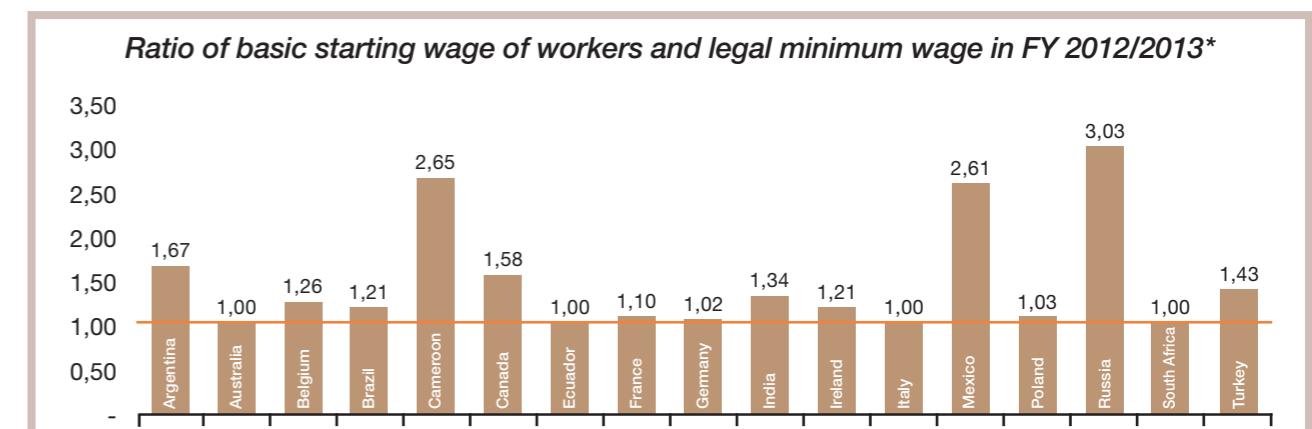
Group	FY 2012/2013					
	Staff Leaving			Staff Hiring		
	Women	Men	Total	Women	Men	Total
<30	401	287	688	844	690	1,534
30 – 50	494	438	932	622	757	1,379
>50	134	160	294	30	57	87
Total	1,029	885	1,914	1,496	1,504	3,000
%	9.73%	6.22%	7.72%	14.14%	10.58%	12.10%

Data regarding Ferrero's women and men returning to work after maternity/paternity leave will be available by 2014/2015 reporting year.

Remuneration

In every operation Ferrero meets salary standards as defined by national laws and collective bargaining, where present. Furthermore, in its main bases of operation, supplementary company agreements aim to define bonuses according to achievements and local practice.

The chart below shows the relationship between Ferrero's base salary and the minimum wages set by the laws of the countries in which Ferrero's plants are based.



* The figure for basic wage represents the gross annual remuneration of a newly recruited production operator. The figure does not take into account overtime pay, production bonuses or individual bonuses. A ratio of 1 indicates correspondence between the legal minimum wage and Ferrero's minimum wage. For South Africa it must be taken into account that, in the absence of a national minimum wage, the agreement between Ferrero and the national union was used as the reference.

Reported below is the comparison⁵ between the average salaries of male and female workers, with reference to some of the Group's main countries of operation.

Ratio of average pay per gender and category

Category	Ratio of men's to women's pay as of 31/08/2012	Ratio of men's to women's pay as of 31/08/2013
Italy		
Workers	91.8	92.2
Employees	94.4	95.8
Middle managers	95.1	95.6
Senior managers	64.0	66.6
Germany		
Workers	77.6	78.0
Employees	83.1	83.7
Middle managers	89.7	88.2
Senior managers	89.4	90.8
France		
Workers	94.4	91.6
Employees	101.5	101.4
Middle managers	87.0	88.8
Senior managers	76.3	96.8
Poland		
Workers	69.0	66.1
Employees	91.4	93.5
Middle managers	114.5	117.2
Senior managers	67.4	64.3
Ireland		
Workers	91.2	91.5
Employees	83.3	77.9
Middle managers	73.8	74.2
Senior managers	n.a.	n.a.
Canada		
Workers	87.8	87.2
Employees	90.3	88.2
Middle managers	99.8	100.6
Senior managers	89.8	72.3
USA		
Workers*	89.6	90.8
Employees	76.5	76.3
Middle managers	97.5	106.3
Senior managers	56.7	70.1
Russia		
Workers	n.a.	90.9
Employees	n.a.	114.5
Middle managers	n.a.	97.5
Senior managers	n.a.	91.1

* This figure refers to workers employed in the USA's packaging centre.

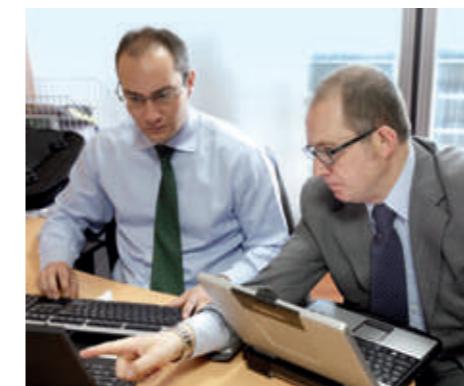
⁵ This comparison is calculated using the following formula: average remuneration for men: 100 = average remuneration for women: x. When the proportion is less than 100, remuneration for men is higher than for women.

A collection system for pay data at Group level will be completed by FY 2014/2015. At present, it is possible to supply results for the following countries: Italy, Germany, France, Poland, Ireland, Canada, the USA and Russia. These represent almost 70% of the Group's total workforce.

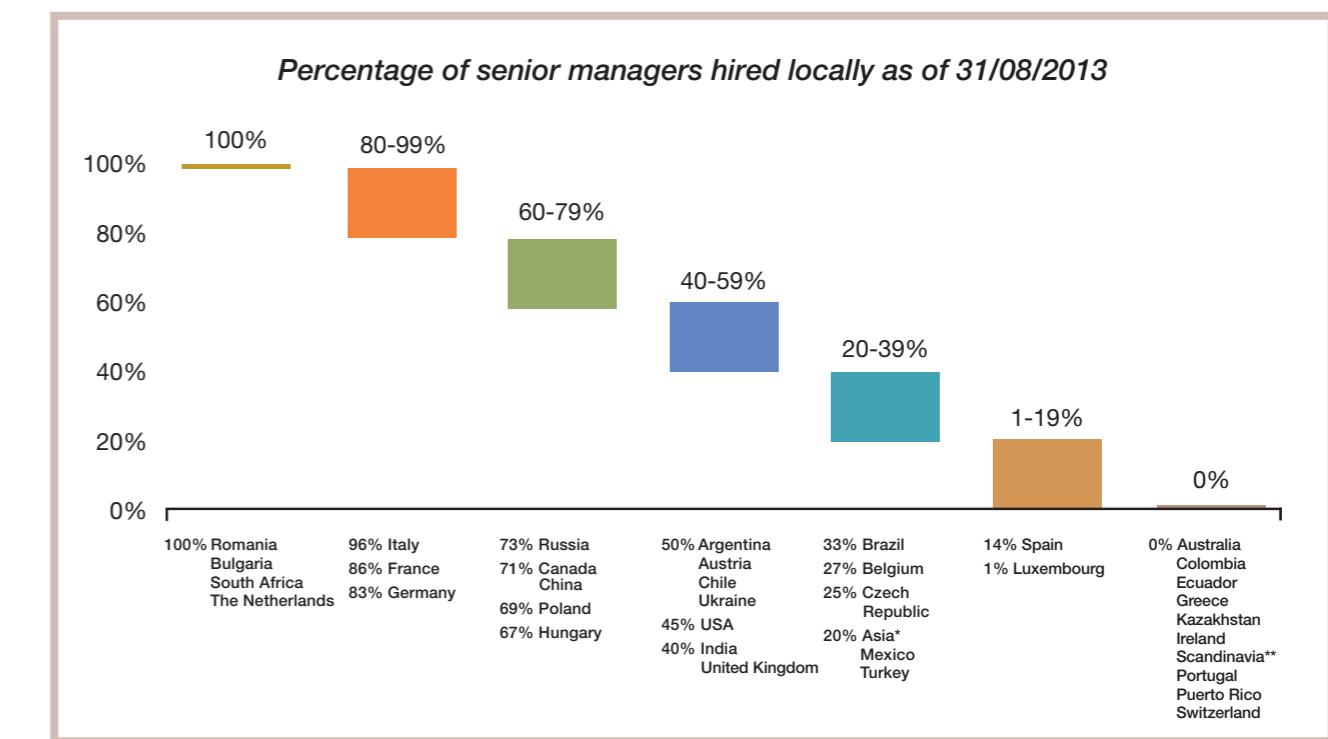
Some inequalities in the reported data are due to the larger number of male employees recruited in previous decades, with the current effect of a greater male seniority and consequently a greater average remuneration, particularly evident among senior managers.

Local hiring

Ferrero does not have a Group policy in place to favour the hiring of local staff. However, the Group does tend to favour, where possible, the hiring of staff living in its countries of operation.



Reported below is the percentage of senior managers recruited locally, or with the nationality of the country in which they were recruited. The data refers to the Group's 850 senior managers. It should be taken into account that, in certain smaller countries, the number of senior managers is equal to only one or two. Countries with no senior managers are not reported.



*Asia includes Hong Kong, Singapore, South Korea and Taiwan.

**Scandinavia includes Denmark, Finland, Sweden and Norway.

Industrial relations

The minimum notice period enforced by the Group, in case of significant operational changes, conforms with national or regional collective agreements, which range from a minimum of 15 days to a maximum of 6 months.

During the reporting year 2012/2013, no strike action was taken against the company in any of Ferrero's locations.

Activities of the European Works Council (EWC)

Ferrero-EWC joint training project for 2014

Among the contents of the 2009/38/CE Directive, which updated the regulatory frame of reference for the EWC, there are two particularly important themes: firstly, the definition of the EWC's transnational capabilities, secondly, the articulation and transfer of rights to information and consultation between worker representatives at local and transnational level.

The training course revealed some difficulty, amongst the participants, in understanding some of the more recent developments in roles and responsibilities at different levels of representation, and of their right to information and consultation in their respective countries.

Consequently, Ferrero-EWC efforts have set up a new voluntary in-depth joint training course for its own members (worker representatives as well as company representatives of the national boards). The aim is to strengthen and update their knowledge of the various national legislative frameworks in terms of representation, collective bargaining and workers' rights to information and consultation at work.

The motions proposed by the project are:

- in the preparatory stage: the production of updated, well-thought out and qualified documentation of the various laws and practices regarding representation, social dialogue and involvement in the European operations (in particular Ireland, France, Belgium, Germany, Poland and Italy);
- in the main stage: the creation of a training course aimed at worker representatives and HR management teams of the Ferrero EWC, which is to be held in Brussels from the 8th to 10th of April 2014.

Furthermore, during the course of 2014, work will begin to create a "European health and safety laboratory" which will operate within the EWC.

This laboratory:

- will serve as a system of information and alerts on risks, dangers and accidents;
- will gather and spread good practice in terms of accident prevention in the workplace, the training of workers and workers' representatives and of communication and sensitisation with the aim of improving the working conditions and lives of workers;
- will encourage meetings (occasionally joint meetings) between company health and safety managers and worker representatives.

To date, the EWC represents around 70% of the Group's workers worldwide and almost all of those operating within the European territory.



Coverage of the organization's defined benefit plan obligations

The Group operates defined contribution retirement benefit plans for all qualifying employees of its subsidiaries. Where employees leave the Company prior to full vesting of the contributions, the amounts payable by the Group are reduced by the amount of forfeited contributions. The only obligations of the Group with respect to the retirement benefit plan is to pay the accrued contributions.

Certain group of employees receive leaving indemnities in accordance with the applicable laws of the respective countries in which the Group operates. The Group's obligations are quantified using actuarial calculations and are covered by appropriate provisions and accruals recorded in the Financial Statements.

The benefits due to the employees are fully vested at year-end and represents the present value of the Group's liability to employees, net of advance payments.

Health and Safety

The Ferrero Group considers the protection of its employees' health and psycho-physical integrity an absolute priority.

Workers' health and safety initiatives are not considered actions in their own right, they are not incidental to working activity, but integral to it.

For this reason, the Group is committed to identifying and eliminating high-risk situations that can arise in the workplace. It also aims to improve, where possible, workplace conditions and related safety levels, sometimes through the use of specific management models.

With the aim of sensitising each worker to his or her own role and responsibilities in terms of health and safety, many voluntary initiatives have been undertaken besides constant training activities on the subject (addressed to both the supervisors and the workers themselves).

Reported below, as an example, are the achievements of the Group's German companies.



Ferrero Germany's initiatives for promoting health and wellbeing in the workplace

Ferrero Germany has established for all employees, in both commercial and productive areas, a series of initiatives for improving wellbeing in the workplace and to better support work/life balance.

The positive participation and response to the internal and external initiatives and investigations pushed Ferrero to create an internal team for the designation of a holistic wellbeing programme with goals, strategies and targeted activities aimed at all employees. This programme takes into account the demands and peculiarities of both the productive and commercial areas.

The wellbeing programme, established in 2013, has three main areas of action: mental fitness, physical fitness and healthy indulgence, all of which are closely related to each other.

Each module is characterised by a series of activities, such as conferences, workshops and training, with the active participation of the employees.

As an example:

- for mental fitness:
 - EAP (*employee assistance program*) to support employees in all life situations;
 - Workshop for employees;
- for physical fitness:
 - free medical check-ups for properly vaccinated employees over the age of 35;
 - collaboration with fitness centres;
- for healthy indulgence:
 - one-on-one counselling sessions;
 - cooking courses aimed at encouraging a balanced diet;

La TUA sicurezza interessa anche ME (YOUR safety is MY concern too)

During 2013, the Work Safety Commission, based at the Alba offices and comprising equal parts worker representatives and company representatives, continued working to encourage initiatives to build an increasingly prevention-oriented safety culture. A competition for Ferrero Alba employees to come up with a safety slogan proved very successful: within a few days, over 3000 employees had proposed ideas for a slogan, showing great imagination and an interest in the topic. Following this, panels composed of workers and company representatives chose a shortlist of ten slogans (each one winning a prize) and a general panel declared Giovanni Rossi's (Maintenance) proposed slogan "La TUA sicurezza interessa anche ME" (YOUR safety is MY concern too) as the winner. The slogan clearly expresses the principle that safety is not just an individual matter but also a collective one as it requires everyone's interest and participation. Throughout the year, the manufacturing plants in Balvano, Pozzuolo Martesana and Sant'Angelo dei Lombardi have also organised workshops (with the joint participation of workers, supervisors and union representatives) about new forms of involvement and communication on the theme of workplace safety.

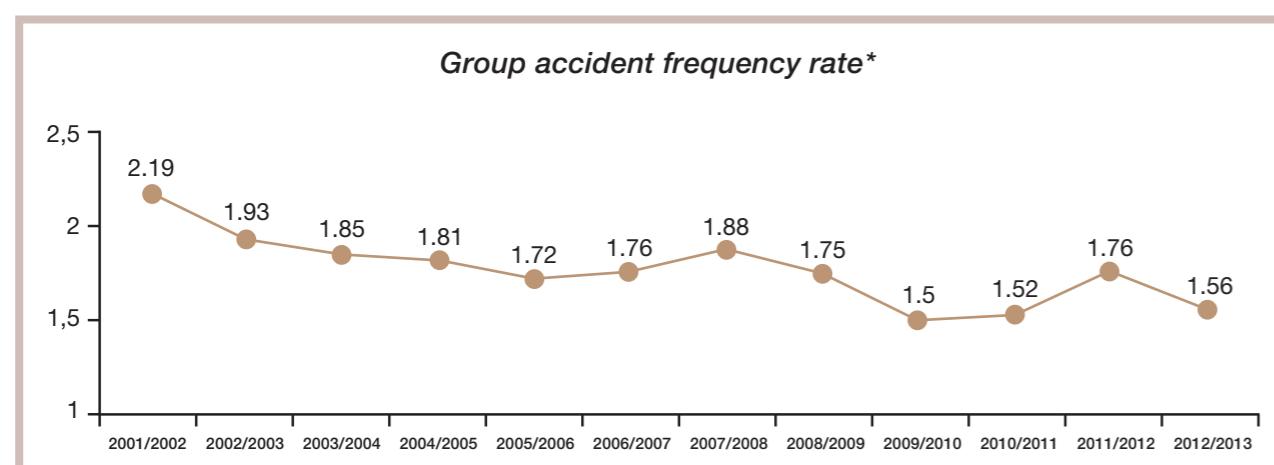
Confirming the growing role of training in safety, 279 training sessions were organised during FY 2012/2013, in Ferrero's Italian offices, involving 2,642 participants for a total of 16,253 learning hours.



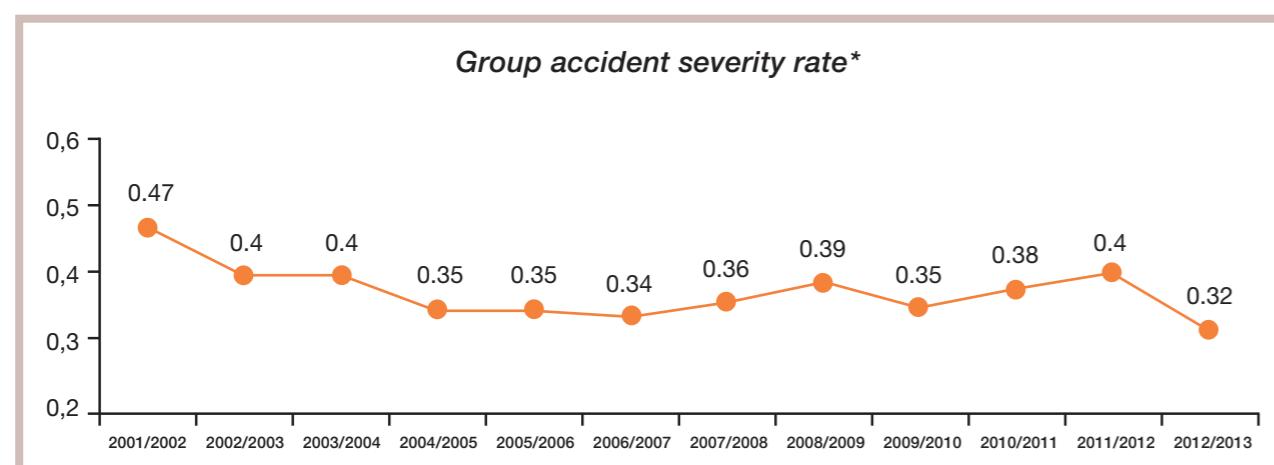
Injury trends

The charts below include accidents that lasted longer than 3 days, occurring either during working hours or on the way to or from work (commuting accident), covering the Group's production plants but excluding the Ferrero Social Enterprises. For the more recently built plants, data is taken from June 2013 (Manisa, Turkey) and June 2013 (San José Iturbide, Mexico). There were no serious or fatal accidents during these periods.

During FY 2012/2013, there was a significant decrease in terms of both frequency (-11%) and severity (-20%), thanks to rigorous technical, organisational and training efforts in all of the Group's manufacturing plants. Frequency and severity rates are calculated on the basis of the accidents and the hours worked by employees within their respective plants.



* The accident frequency rate represents the total number of accidents per 100,000 working hours, within the given time frame.



* The accident severity rate represents the total number of absences per 1,000 working hours caused by accidents within the given time frame.

YEAR	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Frequency rate (100,000 hours)	2.19	1.93	1.85	1.81	1.72	1.76	1.88	1.75	1.5	1.52	1.76	1.56
Severity rate (1,000 hours)	0.47	0.4	0.4	0.35	0.35	0.34	0.36	0.39	0.35	0.38	0.40	0.32

Data related to absenteeism and sick days, subdivided by gender and geographical area, will be available for FY 2014/2015.

Training and development

Training

Holding true to its mission, the Ferrero Learning Lab has developed important training initiatives, this reporting year, for the Group.

The Corporate University continues to preside over both institutional matters (relating to business growth) and managerial matters, which strengthen personal expertise, conduct and capacity. For the respective teams dedicated to commercial operations, management services and industrial operations, there is an increased commitment to developing the Academies and special projects aimed at capturing the company's distinctive know-how and transferring it in a structured way with new and current teaching methodologies.

All training programmes aimed at the professional clusters of commercial operations and management services have seen successful implementation across the whole of the Ferrero Group.



The most relevant innovations are:

1. Ferrero Marketing Academy: this ambitious training project for the marketing cluster has seen, in FY 2012/2013, the completion of the following phases:
 - a. representation of Ferrero's fundamental marketing components and the definition of its skill sets;
 - b. analysis of training priorities and identification of three main thematic areas: consumer centricity, engaging communication, growing brand love;
 - c. creation of work groups that have developed training content.
2. Ferrero Sales Academy: Ferrero's numerous implementation experiences worldwide have provided a considerable amount of feedback to update and improve content. As a result, various "sites" have been opened, designed to keep the training content effective and current.
3. Institutional Affairs and Public Relations: two training weeks have been planned, dedicated to European and non-European resources belonging to this professional cluster. It involves a full immersion into the Ferrero world and the Group's distinctive activities and business processes. This provides knowledge that is useful for the role and essential for representing and supporting the Group worldwide and with the various institutions it deals with.



During the course of FY 2012/2013, the Ferrero Learning Lab delivered 62,972⁶ training hours with an attendance of 2,018 for the year.

As of the end of this reporting year, this data has been further refined with the introduction and implementation of an ad hoc information system for monitoring training activities.

The implementation of this system is currently undergoing extension to allow the monitoring of locally developed training activities. This has the aim of making a comprehensive figure available for the Ferrero Group's entire training offer, in terms of total training hours and per-capita averages by seniority level and gender.

It is foreseen that this figure will be available as of FY 2014/2015 rather than FY 2013/2014, given that the implementation of the new system necessitates an initial year of consolidation to be able to guarantee the reliability of the data.

Ferrero Learning Lab training activities in FY 2012/2013

Gender	N. of participants	Training hours
Women	800	30,604
Men	1,218	32,368
Total	2,018	62,972

The new training plan is structured as follows:

- **By training scope:**

- **Development Activities**, typically managerial development actions. Generally these activities bring with them both training elements and support and development of capacities and conduct. Examples of these activities are mentoring and tutoring courses;
- **Institutional Training**, institutional training activities focused on the development of leadership roles, in terms of corporate culture and values;
- **Managerial & Soft Skills**, training activities focused on the development of individual roles in terms of required managerial expertise;
- **Professional Know-How**, training activities focused on the development of individual roles in terms of job skills.

⁶ SAP TEM data that only includes courses run by Learning Lab and Corporate University.



Ferrero Learning Lab's training activities by scope in FY 2012/2013

Training scope	N. of participants	Training hours
Development Activities	49	504
Institutional	204	31,938
Managerial & Soft Skills	923	17,172
Professional Know-how	842	13,358
Total	2,018	62,972

- **By training content category:**

The new training offer is structured around themed areas on the basis of the content of the training sessions. For example, a course on negotiation that would typically be recommended for the sales cluster can also be delivered to other areas of the company (e.g. purchasing) with the aim of reinforcing the same skill. This approach allows for a more consistent and expansive offer to be made, favouring the circulation and dovetailing of expertise within the Group.

Ferrero Learning Lab's training activities by content category in FY 2012/2013

Training content category	N. of participants	Training hours
Managerial & Soft Skills	935	17.268
Sales Training	288	5.296
Institutional	204	31.938
Production	168	1.596
Marketing	142	2.272
Finance	120	1.920
Quality	50	400
Development Activity	49	504
Institutional Affairs&Pr	29	986
Information Technology	19	456
Purchasing	14	336
Total	2.018	62.972

Talent Management Activities

The Group's middle and senior managers⁷ are involved, each year, in a process of performance management in order to evaluate individual performance. The aim is to monitor results against set targets and organisational conduct. Following this process, areas with potential for improvement are identified.

In FY 2012/2013:

- performance management's gradual extension to clerical categories has begun, implementing a common language at Group level in terms of objectives, results, expertise, mobility and professional aspirations. In total, over 5,000 people were involved, almost all of whom were allocated a personal development plan. For FY 2013/2014 there will be a further extension of the process, eventually involving 9,800 people.
- A management review process began, which involved people at every company level. By creating a sense of shared responsibility between line management and HR, this process guides managerial choices to guide and facilitate personal development. Its specific objectives are:
 - identifying people at various levels who have the right qualities to cover roles entailing greater responsibility whether in the short or medium term;
 - identifying possible successors to key positions within the organisation.



⁷ Excluding employees of the Ferrero Group or Ferrero agricultural companies with less than a year's seniority.

The *Intercultura* project

For the 2012/2013 academic year, the Group, renewing its almost decade-old partnership with *Intercultura*, offered children of its employees the chance to study abroad for a period. Specifically, the following were issued: a one-year scholarship in Italy, three two-month scholarships in France, a one-year scholarship in Germany and a one-year scholarship in Poland.

Technical and professional training

Apart from projects coordinated by the Ferrero Learning Lab, important initiatives are carried out at the Group's local offices (both industrial and commercial), focusing above all on the development of technical-professional expertise. Among the main initiatives, there are courses in human resource management, food safety, industrial safety, production management, plant maintenance, health and safety in the workplace, IT applications and languages.



Reported below are the total and per-capita training hours, for manual and office workers at the Group's main production plants.

Average annual training hours per plant

Country	2011/2012		2012/2013	
	Hours/Year	Average hours/Employee	Hours/Year	Average hours/Employee
Italy	22,791	5.8	25,625	5.89
Poland	18,100	16.3	11,709	12.27
Russia	3,300	18.6	5,072	26.84
Brazil	901	2.3	10,581	22.51
Belgium	3,987	6.4	4,674	7.44
Canada*	4,965	6.2	5,989	10.68
Argentina	1,788	4.6	2,151	6.13
Ireland	2,283	9.5	1,997	9.04
Ecuador	1,724	4	1,777	3.84
Germany	32,345	13.2	60,359	19.11
France	2,604	7.2	2,889	6.96
Australia**	960	12.5	496	5.23

*Data for Canada refers to factory workers only.

**Data for Australia does not include on-the-job training.

Currently, the Group's information systems are unable to retrieve data for all of its offices, but these will be available as of FY 2014/2015, as indicated in the "training and development" paragraph.

Length of service

The Ferrero Group is characterised by its especially positive working environment and for the strong connection, strengthened year by year, established between the Ferrero family and its employees.

In FY 2012/2013, 170 employees were formally recognised for 25 years of service to the Group, 173 employees for 30 years, 81 employees for 35 years and 39 employees for 40 years.

Below are figures for the average length of service⁸ of plant and Group employees as of 31 August 2013.

Category	Average lenght of service within Ferrero Group (years, months)		
	Women	Men	Total
Italy: Alba from 1946, Pozzuolo Martesana from 1965, Balvano from 1985, S. Angelo dei Lombardi from 1985			
Workers	13 years, 11 months	17 years, 10 months	16 years, 1 month
Employees	14 years, 11 months	18 years, 3 months	16 years, 11 months
Middle managers	17 years, 1 month	19 years, 7 months	19 years
Senior managers	15 years, 2 months	21 years	20 years, 5 months
Germany: Stadtallendorf from 1956			
Workers	11 years, 1 month	12 years, 7 months	11 years, 10 months
Employees	12 years, 9 months	16 years, 9 months	15 years, 6 months
Middle managers	21 years, 1 month	17 years, 6 months	17 years, 9 months
Senior managers	n.a.	21 years, 6 months	21 years, 6 months
France: Villers-Ecalles from 1960			
Workers	14 years, 8 months	15 years, 2 months	14 years, 11 months
Employees	16 years, 10 months	18 years	17 years, 7 months
Middle managers	5 years, 2 months	11 years, 11 months	9 years, 3 months
Senior managers	n.a.	6 years	6 years
Australia: Lithgow from 1974			
Workers	11 years, 1 month	8 years, 11 months	10 years
Employees	10 years	12 years, 8 months	11 years, 5 months
Middle managers	n.a.	17 years	17 years
Senior managers	n.a.	30 years, 8 months	30 years, 8 months
Ireland: Cork from 1975			
Workers	14 years, 3 months	10 years, 3 months	11 years, 7 months
Employees	11 years, 6 months	15 years, 9 months	14 years
Middle managers	16 years, 2 months	23 years, 8 months	22 years, 2 months
Senior managers	n.a.	7 years, 3 months	7 years, 3 months
Ecuador: Quito from 1975			
Workers	7 years, 10 months	4 years, 10 months	6 years, 7 months
Employees	7 years, 2 months	6 years, 11 months	7 years, 1 month
Middle managers	19 years, 1 month	14 years, 3 months	15 years, 6 months
Senior managers	n.a.	17 years, 8 months	17 years, 8 months
Belgium: Arlon from 1989			
Workers	10 years, 4 months	13 years, 4 months	11 years, 9 months
Employees	18 years, 9 months	19 years, 9 months	19 years, 2 months
Middle managers	15 years, 1 month	19 years, 2 months	18 years, 5 months
Senior managers	n.a.	22 years, 3 months	22 years, 3 months
Poland: Belsk from 1992			
Workers	4 years	7 years, 1 month	5 years, 8 months
Employees	8 years	8 years, 10 months	8 years, 5 months
Middle managers	n.a.	14 years, 6 months	14 years, 6 months
Senior managers	15 years, 5 months	15 years, 9 months	15 years, 8 months

⁸ The average is calculated considering the employees working at 31 August 2013 and their length of service from the date they joined the Ferrero Group until 31 August 2013.

Category	Average lenght of service within Ferrero Group (years, months)		
	Women	Men	Total
Argentina: La Pastora from 1992			
Workers	9 years, 8 months	8 years, 9 months	9 years, 3 months
Employees	11 years, 5 months	11 years, 2 months	11 years, 3 months
Middle managers	7 years, 11 months	8 years, 1 months	8 years, 1 month
Senior managers	n.a.	5 years, 9 months	5 years, 9 months
Brazil: Poços de Caldas from 1994			
Workers	4 years, 3 months	4 years, 4 months	4 years, 3 months
Employees	9 years, 7 months	8 years, 6 months	8 years, 9 months
Middle managers	n.a.	13 years, 9 months	13 years, 9 months
Senior managers	n.a.	2 years, 5 months	2 years, 5 months
Canada: Brantford from 2006			
Workers	4 years, 8 months	3 years, 11 months	4 years, 2 months
Employees	5 years, 1 month	5 years, 11 months	5 years, 6 months
Middle managers	7 years, 10 months	15 years, 11 months	15 years, 2 months
Senior managers	8 years, 6 months	18 years, 2 months	14 years, 11 months
Cameroon: Yaoundé from 2006			
Workers	4 years, 2 months	3 years	3 years, 11 months
Employees	4 years, 2 months	2 years, 7 months	3 years, 1 month
Middle managers	7 years, 7 months	5 months	4 years
Senior managers	n.a.	n.a.	n.a.
India: Baramati from 2007			
Workers	5 years, 3 months	3 years, 9 months	4 years, 5 months
Employees	3 years, 3 months	1 years, 12 months	2 years, 1 month
Middle managers	n.a.	3 years, 4 months	3 years, 4 months
Senior managers	n.a.	11 years, 7 months	11 years, 7 months
South Africa: Walkerville from 2007			
Workers	3 years, 5 months	2 years, 5 months	3 years, 3 months
Employees	4 years, 6 months	2 years, 1 month	3 years, 5 months
Middle managers	3 years, 5 months	1 years, 5 months	1 years, 10 months
Senior managers	n.a.	4 years	4 years
Russia: Vladimir from 2009			
Workers	2 years, 1 month	2 years, 1 month	2 years, 1 month
Employees	2 years, 11 months	3 years, 4 months	3 years, 2 months
Middle managers	5 years, 7 months	2 years, 7 months	4 years, 1 month
Senior managers	n.a.	6 years, 12 months	6 years, 12 months
Mexico: San José Iturbide from 2013			
Workers	3 months	4 months	3 months
Employees	4 years, 2 months	2 years, 7 months	3 years
Middle managers	n.a.	5 years, 7 months	5 years, 7 months
Senior managers	n.a.	25 years, 5 months	25 years, 5 months
Turkey: Manisa from 2013			
Workers	7 months	7 months	7 months
Employees	1 year, 11 months	2 years, 2 months	2 years
Middle managers	1 year, 3 months	21 years, 4 months	14 years, 8 months
Senior managers	n.a.	36 years, 6 months	36 years, 6 months



Next steps for 2015

In continuity with projects that have already started and in accordance with targets set in the previous CSR report, the Ferrero Group are still persevering in the following areas:

- initiatives to promote a “**diversity culture**”, which includes managerial training courses aimed especially at developing intercultural knowledge: during FY 2012/2013, initiatives started by the Ferrero Corporate University were consolidated and are now indexed in both the scope of managerial training and the hiring of young postgraduates;
- initiatives to encourage the professional placement of **differently able workers**, including training programmes with local schools and partnership projects with third party operators that employ them. Aside from initiatives already in place in certain countries previously described in last year’s report, during 2013 there was also an increase in cooperation with external suppliers, particularly at the Alba plant, who mainly employ disabled and disadvantaged workers;
- strengthening of pre-existing work **placement projects for young people** through partnerships with master’s degree programmes and universities, to help deserving students access these courses. Many initiatives are in place at national level, such as school/work alternating projects, orientation days, scholarships and internships, which are to be developed further.

Reported below are some specific initiatives developed by Ferrero Germany.

Initiatives developed by Ferrero Germany

Education

Two-year commercial apprenticeship for students with a school diploma that allows, in compliance with Germany’s current form of apprenticeship, a practical part in the company with the support of a tutor, and a theoretical part at a vocational school. Ferrero organises a five-day course in preparation for the final exam, which is held at the Chamber of Industry & Commerce.

Dual study

The chance to take part in a work experience programme within the company for a period of three years, alongside university studies, alternating between theoretical and practical learning on a regular basis. Throughout the entire learning period, the students receive a fixed pay from Ferrero.

Scholarships

Every year, three scholarships are offered to Ferrero’s ex-apprentices and children of employees, subsequently donated by the Ferrero Foundation for a maximum of 9 terms.

Furthermore, every year, two scholarships are set aside for children of employees, aged 14 to 17, to finance a year studying abroad.

Internship for students

Many young people have the opportunity to participate in training programmes, especially with marketing, for a maximum period of six months. The interns are adequately supported, remunerated, and kept suitably empowered in their work activities. In addition, interns are given the opportunity to take a tour of the manufacturing plant.

Collaboration with student initiatives

A long-term collaboration has begun with Enactus, an international student community active in local, social and environmental projects. Ferrero is working towards a sustainable implementation of their project ideas, by providing support in terms of resources and financial coaching.

Presentations at universities

Lastly, a number of meetings, at times involving major universities, are organised to support young people who are still undecided about choosing to study or work, helping them to make a decision that is best suited to their interests and their inclinations. These activities allow Ferrero to make its activities known to the outside world, sharing its working philosophy and history.

During the course of FY 2014/2015 a Group internship project will be developed, aimed at offering young people nearing the end of their studies a path towards the company.

- Initiatives within the organisation designed **to promote the worker-students’ studies**: at the Group’s various offices the worker-students are subsidised by facilitated shifts, with permission granted according to local practice.
- Development of a **Group welfare policy** that defines common goals safeguarding local specificities: the Ferrero Group’s guidelines will be defined during the course of FY 2013/2014.

The main areas of intervention are as follows:

- family/social: initiatives supporting parenthood will come into place to support employees during important moments in their family lives and insurance coverage that allows the family to be supported in case of the employee’s death or illness. Depending on local practice, supplementary pension schemes can be provided;
- work life balance: initiatives in compliance with local legislation that aim, on one hand, to guarantee maximum flexibility and control of one’s own time, and on the other, offer internal services to ease daily management. The policy provides the overall guidelines that must be tailored locally in order to really meet the needs of different situations where the Group operates.
- Extension of voluntary workplace health & safety initiatives, with the ultimate goal of spreading safety culture and getting more workers to participate: see also the paragraph in which some of these activities - both local and in the EWC’s area, completed or in progress - are reported.

Sustainable agricultural practices



Sustainable agricultural practices

Ferrero has always preferred to establish direct **long-term commercial relationships** with producers and suppliers of raw materials, based on dialogue and transparency.

As already stressed in previous CSR reports, the Ferrero **Code of Business Conduct** includes clear requirements concerning the excellent quality and freshness of raw materials and meticulous compliance with the principles of ethics and sustainability (for the full text of the Code of Business Conduct, visit www.ferrerocrs.com).

The fundamental parameters the Ferrero Group applies in selecting its agricultural raw materials are: **excellence in quality** and **respect for human rights and the environment**. The Ferrero Group's engagement towards sourcing sustainable raw materials has been formulated as:



Ferrero - Agricultural Commitment to Sustainability

Under the umbrella of F-ACTS, all activities within each strategic supply chain will be carried out through a specific programme called Ferrero Farming Values (FFV), guided by ambitious goals which are summarized as follows:

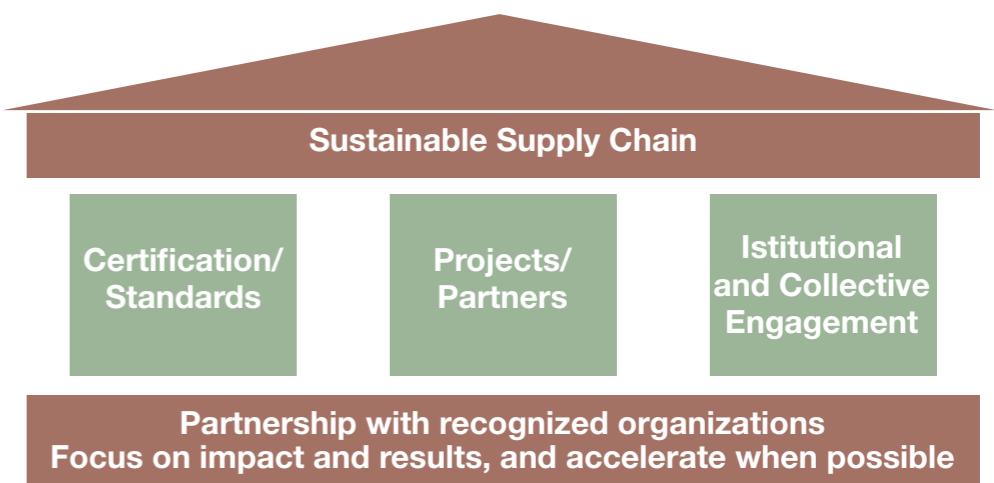
FERRERO FARMING VALUES	Cocoa 100% certified as sustainable by 2020
FERRERO FARMING VALUES	Palm Fruit Oil 100% certified as sustainable and segregated by 2014
FERRERO FARMING VALUES	Hazelnuts 100% traceable by 2020
FERRERO FARMING VALUES	Cane Sugar 100% certified as sustainable by 2020
FERRERO FARMING VALUES	Eggs 100% barn eggs by 2014
FERRERO FARMING VALUES	Milk Continuously pursue strict quality standards and monitor sustainability indices through the Milk Quality Project

Objectives set for Coffee and Soy Lecithin supply chains are now reached and will be "maintained" at their rigorous level:

- **100% of the Soy Lecithin sourced is non-GMO.** Ferrero has always done so and will continue to uphold this commitment;
- In this reporting year, **Ferrero has reached 100% of certified sustainable coffee through UTZ Certified.** Coffee is generally sourced from central South America from selected plantations. The UTZ coffee programme "enables farmers to learn better farming methods, improve working conditions and take better care of their children and the environment". **UTZ Certified** is extensively established in the coffee sector; therefore through already certified suppliers, Ferrero was able to secure a sustainable supply in a short time frame. The Group is committed to maintain this commitment for the future.

Most of the world's supply chains, including Ferrero's global sourcing activities, are facing the same commonality: COMPLEXITY. Therefore, the Ferrero Group recognizes that a single actor alone cannot transform a given supply chain into a sustainable one. Every stakeholder along the value chain has its respective responsibility – and all must work together towards the common objective of sustainable supply chains.

To reach its objectives, Ferrero has developed all of its programmes based on a **3-pillar approach**:



The three pillars should ultimately work in conjunction to complement each other, rather than operating in "isolation", and thus adapting to the complexity of supply chains.

¹ UTZ Certified Coffee Program Mission Statement



Cocoa

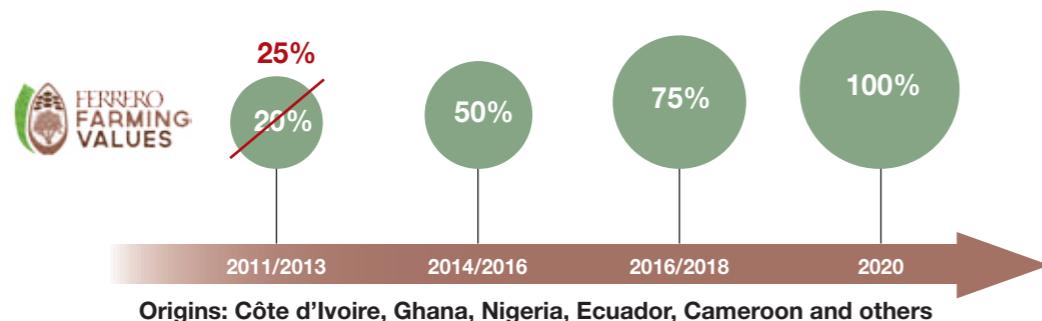
The cocoa sourcing



In FY 2012/2013, Ferrero has sourced more than 100,000 metric tons of cocoa beans and processed them internally within plants both in Alba (Italy) and Stadtallendorf (Germany).

Ferrero's objective for 2020: 100% certified cocoa beans (currently through UTZ Certified, Rainforest Alliance Certified™ and Fairtrade). In FY 2012/2013 the Group has, with more than 25% of its cocoa certified, exceeded its initial milestone of 20% set for that timeframe.

Sustainable Cocoa Sourcing Roadmap



Alongside the 2020 goal, other projects and partnerships **to improve the farmer's living conditions and their communities are ongoing**.

Among the activities conducted by Ferrero, here follow some examples of the projects realized in Ghana.

Best Practice example on how to integrate the 3-pillar approach - Ferrero's work with Source Trust and Geotraceability.

Ferrero aims to improve the livelihoods of more than 13,000 cocoa farming families throughout Ghana, West Africa. In order to achieve this, the Group will leverage its continued long-standing partnership with Source Trust, a non-profit organisation, established by Armajaro Trading, which helps farmers achieve better cocoa crop yields and quality through sustainable farming practices. All cocoa coming from this initiative will be 100% traceable and UTZ certified by 2016.

Third party sustainability certifications for Ferrero's cocoa procurement



UTZ
Certified
Better farming
Better future



Rainforest Alliance Certified™
farms support a healthy environment, promote the well-being of workers and their communities and ensure efficient farm methods. Farm workers benefit from safe working conditions, enjoy dignified housing and medical care, and access to schools for their children. Certification ensures the protection of ecosystems, including wildlife habitat, water and soil.



The Fairtrade Cocoa Programme enables small-scale farmers to benefit by selling more of their cocoa as Fairtrade. With the Fairtrade Sourcing Programme, Ferrero has committed to buying 20,000 tons of cocoa in 3 years on Fairtrade terms, starting this reporting year. As of August, 2013, 500 metric tons of cocoa were already purchased.



Source Trust

Through partnering with Source Trust, Ferrero works directly with farmer organisations to address agricultural, social, environmental and business issues through a portfolio of carefully designed interventions identified through a community action planning process. Source Trust's projects pave the way for long-term, sustainable cocoa production, whilst enhancing farmers' business prospects.

With Ferrero's support, Source Trust is able to provide farmer training on Good Agricultural, Environmental and Social Practices to help farmers improve the yield and quality of their crops. By 2016, Ferrero is committed to delivering training to 13,000 cocoa farmers from 11 districts in Ghana,

which will allow farmers to achieve certification under the UTZ Certified standard. In addition to training, Ferrero's support of Source Trust ensures that farmers receive proven hybrid seedlings based on up-to-date, origin-specific research. Improved planting material offers farmers increased income through higher yields, while also allowing old and unproductive trees to be replaced by newer varieties developed through trials at the Cocoa Research Institute of Ghana.

In collaboration with the Ghana Education Service, Ferrero supports Source Trust's Village Resource Centers (VRCs) programme, funding self-sufficient IT centers with computers and internet connectivity that can be used by schools, farmers and the wider community to develop IT skills and learning.

The centers are placed in rural schools, which do not have access to IT facilities, to allow for students to learn and develop their IT skills. Moreover, it also serves as a platform for delivering training to cocoa farmers through audiovisual training materials on good agricultural, environmental and social practices, including modules on the prevention of the Worst Forms of Child Labour.

To date, five rural schools have benefitted from Village Resource Centers, with further plans in place to install VRCs across the 11 districts.



GeoTraceability

Ferrero's commitment to traceable cocoa is enhanced by its use of the GeoTraceability farm mapping system.

To date, a total of 6,129 cocoa farmers (32% women) have been fully mapped across 5 of Ferrero's sourcing districts and are supplying Ferrero with traceable cocoa. This translates into 11,337 hectares of mapped fields under cocoa production (22% of this land is managed by the women farmers).

The individual smallholder farms producing this cocoa are mapped using handheld GIS devices and a range of farm data is collected, such as tree age and planting density, disease prevalence and farming practices. This allows Ferrero to gain important insight into the socio-economic situation of cocoa farmers. This information is used by Ferrero and Source Trust to more closely tailor agricultural and community interventions to the needs of the farmers and their community. Ultimately, it also monitors the outcomes of Ferrero's investments in those engagements to ensure Ferrero delivers improvements in productivity and livelihoods for the cocoa farmers who supply their cocoa.

By 2016, 13,000 farmers will be integrated into the Geotraceability system and will supply fully traceable and UTZ certified beans to Ferrero. When the cocoa is produced, it is bagged and barcoded at the farming community level for tracing onwards along the supply chain, allowing Ferrero to track its cocoa as it travels from farming community to the plant and ensure traceability is maintained throughout.



Geotraceability: Farm-level Mapping

Mapping

Utilizing GIS mapping systems, the organization is able to know the exact size and shape of the farms. Moreover, it maps community infrastructure to provide useful information such as distance to schools and water sources.

Data Collection

A series of data is collected on agricultural practices and farm metrics but also on socioeconomic indicators.

Monitoring & Evaluation

The data is then used to monitor indicator improvements in a measurable way and strengthen farmer training programmes.

Ultimately, GeoTraceability's mapping is a key part of a traceability system, allowing to trace cocoa back to a specific community.

Placing additional attention on Child Labour: Ferrero Cocoa Community Commitment (F3C)

Ferrero continues its long-term partnership with Source Trust to invest in Ghanaian cocoa farming communities in ways that go beyond certification alone.

The Ferrero Cocoa Community Commitment (F3C) aims to increase the well-being of 8,800 cocoa-farming families and their children (estimated at 26,400) through a measurable reduction in the Worst Forms of Child Labour and a measurable increase in household income. The project partners with the National Program for the Elimination of the Worst Forms of Child Labour in Cocoa (NPECLC) to establish the Ghana Child Labour Monitoring System (GCLMS) in conjunction with Source Trust Ghana's innovative community-based farmer organization model, in 162 communities.

Working with NPECLC, the F3C programme is aligned to Ghana's 2009-2015 National Plan of Action (NPA) for the Elimination of the Worst Forms of Child Labour in Ghana through four project elements:



1. Assist NPECLC to establish GCLMS in 162 new communities identified as having prevalent Worst Forms of Child Labour, while strengthening 14 communities already participating in NPECLC's GCLMS pilot.
2. Support the Ghana Department of Social Welfare's community sensitization and mobilization programme to promote understanding of children's rights, including the effects and consequences of child labour.
3. Introduce comprehensive livelihoods training for community-based farmer organizations to provide as part of a training service to their farmer members. The key training component will focus on Good Social Practices linked to reducing the Worst Forms of Child Labour.
4. Establish eight Village Resource Centers at schools to make teaching and learning more effective.

Update on progress to date:

To date, 48 Community Child Protection Committees have been formed in two districts where Ferrero operates, namely New Edubiase A and Asankragwa A districts. These committees were trained by NPECLC on Ghana Child Labour Monitoring System in April 2014.

The farmers in these communities were registered and baseline data was collected from each farmer. Internal Control System offices were set up in each of the two districts in order to monitor progress of the project. All farmers registered for the programme have been part of the farmer livelihoods training since August 2013. A total of 2,287 farmers (645 – women and 1,642 – men) have been trained to date across the two districts.

Once the Year 1 farmer training programme had been completed, all farms underwent internal inspections in September 2013 to ensure that all trained farmers were adhering to and implementing the modules they have been introduced to in the livelihood training sessions.

The internal inspections were followed with external UTZ Certification audits in December 2013 and farmers in both districts were successfully certified under the UTZ Certified Code of Conduct.

Expansion of the F3C programme commenced in February 2014, when the registration of new farmers commenced in four districts - Samreboi, A, Samreboi B, Samreboi C and Samreboi D. In July 2014, more than 4,500 new farmers in 80 communities were registered and the livelihoods training commenced in April 2014.

Two Village Resource Centers have been established to benefit a total of 350 children. One VRC was established at Yirase District Assembly Junior High School in Asankragwa A district benefitting a total of 150 students (72 girls and 78 boys). The second VRC was established at

Adansi Praso District Assembly Junior High School in New Edubiase A district, where 200 (77 girls and 123 boys) students have benefitted.

Designed in consultation with the Government of Ghana, Ferrero's F3C programme goes beyond a mere focus on the compliance of farmers with certification requirements. In fact, it can be considered best practice as it incorporates the three recognized pillars of effective sustainability:

- **Social:** working towards the elimination of the Worst Forms of Child Labour.
- **Environmental:** helping to improve the agricultural output of cocoa farming with attention to environmental preservation.
- **Economic:** helping to improve the livelihoods and well-being of cocoa-producing communities.



Palm Fruit Oil

To source the best raw materials on the market, Ferrero has long developed a deep understanding and knowledge of ingredients, their origins and their transformational processes. Now more than ever, sustainability has become a key component of this knowledge culture.

The Ferrero Group sources approximately 150,000 metric tons of palm fruit oil in the reporting period, exclusively from Malaysia (mainly from Malaysian Peninsula), Papua New Guinea and Brazil.

Why does Ferrero use palm oil?

Palm oil is used in Ferrero products for two main reasons:

- it gives the products the right consistency whilst enhancing the taste of its ingredients, due to its odourless and tasteless nature;
- Palm oil plays a crucial role in achieving a balance between the components, and, most importantly, it does so without resorting to the hydrogenation process, which produces "trans fats" that have been recognized by the authorities and the scientific world as particularly harmful to health.

As stated in the previous CSR report, Ferrero remains in a position to anticipate its deadline of reaching a palm fruit oil supply chain that is 100% certified as sustainable and segregated by the end of 2014, instead of the previous 2015 objective.

By the end of the 2012/2013 reporting period, around 75% of the supply is sourced from sustainable segregated, traceable, sources. The diagram below illustrates the Group's path towards 100%.

Sustainable Palm Oil Sourcing Roadmap



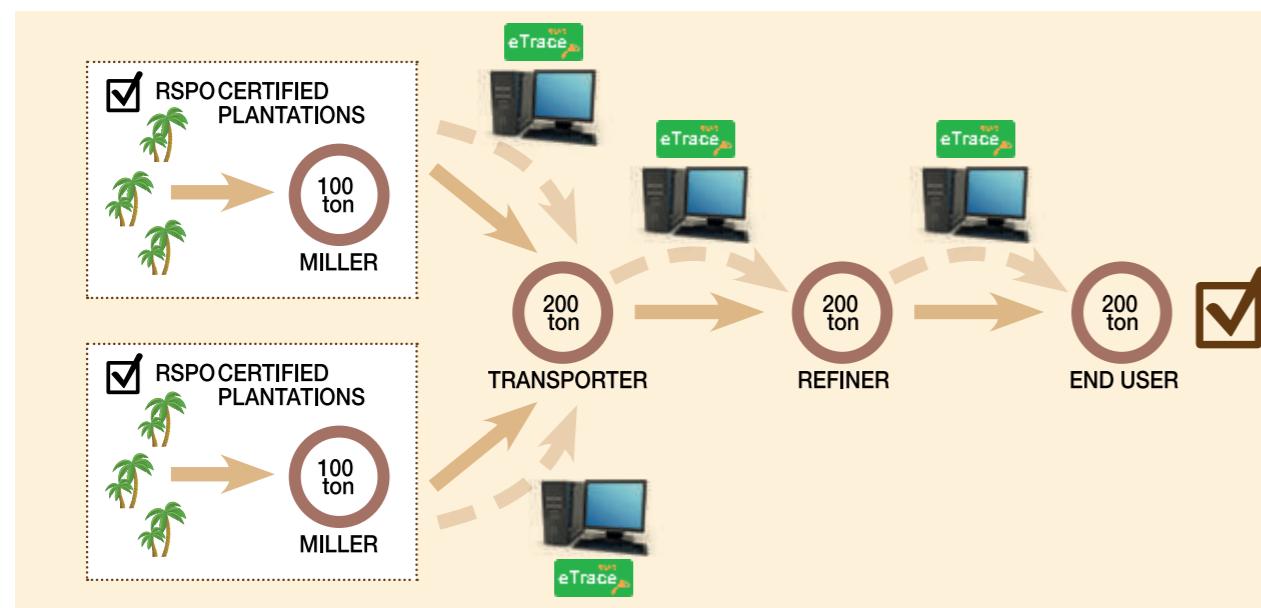


Roundtable on Sustainable Palm Oil

Since 2005, Ferrero has been an active member of the Roundtable for Sustainable Palm Oil (RSPO), an international organization that thrives to promote and install the concept of sustainability within the production and supply chain of palm fruit oil. The international certification scheme and its standards adopt a strategy of elevating the economical, ecological and social facets of its members. These members are made up of various societal players, including civil society, producers, retailers and manufacturers.

In line with Ferrero's sustainable raw materials sourcing strategy all along its supply chain, the efforts in palm fruit oil are based in RSPO but go beyond its standards through a strong collaboration with long-term suppliers, namely in the form of a Charter as will be seen further in this text.

To begin, these strong relationships with suppliers allowed Ferrero to select RSPO's high level scheme: **a sustainable and segregated certification**. This is the only way to assure that the certified sustainable supply is not mixed with non-certified and to trace it back to its source.



- >75% RSPO certified segregated over the approximate 150,000 Mt total needs;
- from February 2014, 100% of the Nutella produced in Europe already only uses RSPO sustainable certified segregated palm oil;
- all 17 Ferrero plants utilizing palm fruit oil will be certified for "RSPO Supply Chain Certification" (SCC) achieving "Segregated" level (SG) by the end of 2014.

The table below shows the production plants currently certified:

Plants	"RSPO Supply Chain Certification" achieving "Segregated" level (SG)
Alba (Italy), Villers-Ecalles (France), Stadtallendorf (Germany)	since March 2013
Balvano (Italy), Sant'Angelo dei Lombardi (Italy), Belsk (Poland), Vladimir (Russia)	since July 2013
Lithgow (Australia), Poços de Caldas (Brazil), Brantford (Canada), Manisa (Turkey)	since December 2013
San José Iturbide (Mexico)	since March 2014
Arlon (Belgium), Pozzuolo Martesana (Italy)	since July 2014

WWF

Ferrero obtained the highest score in WWF's 2013 Palm Oil Buyers Scorecard:

Manufacturers and processors/Traders										
Company name	Country	Scored or not report?	RSPO member?	ACOP submitted?	Commitment to 100% CSPO by	GHC sourcing policy?	Volume of palm oil used (t)	Volume of CSPO used	% CSPO used	Total score/12
Ferrero Trading	Italy	Scored	Yes	Yes	2014	Y	150,000	112,800	75%	12

"Companies leading the demand for segregated certified palm oil (by using more than 50%) include..., Nutella manufacturer Ferrero". The WWF Palm Oil Buyers Scorecard and accompanying article can be found at this [link](#).

Ferrero Suppliers

Ferrero's main long-term suppliers helping us reach this ambitious target are:



NBPO Case study

New Britain Palm Oil (NBPO) is a leading supplier company in palm oil sustainability. They began their commitment in 1969 with a zero-burn policy, joined RSPO in 2004 and are now working beyond the roundtable's standards through the Palm Oil Innovation Group (POIG) charter.

In Papua New Guinea, approximately 7,500 certified smallholders, from the area close to Kimbe in the island of New Britain, supply palm fruits used by NBPO to be processed into palm fruit oil.

In conjunction with the Ferrero Group's historical attention to social aspects within its economical activities, the partnership with NBPO represents a great example of this strategy in action.

Working with NBPO has and continues to significantly help Ferrero achieve its sustainability sourcing objectives. For example, palm fruit oil is an agricultural industry that supports thousands of smallholders and is an important source of nutrition for local communities thus providing both economic opportunity and food security.

Working with NBPO, Ferrero is able to indirectly support some of these smallholders, as they are part of NBPO's supply source. With additional environmental guidelines being applied, as found in the RSPO certification and the POIG charter, NBPO can claim to be well on its way towards a sustainable model for the industry.

Together with commercial partners, Ferrero has begun this journey to transform and improve the global market by continuously raising livelihoods of the populations dependent on this economic activity. Furthermore, doing so also improves environmental conditions and conservation while ensuring a long-term efficient supply of the unique oil.

Next steps

In the spirit of becoming a sustainability lighthouse with its palm fruit oil supply chain, Ferrero is developing a tool, together with **The Forest Trust** (TFT), to go beyond the RSPO standard and further challenge its suppliers.

The Ferrero Palm Oil Charter sets a number of additional criteria, which are passed down to suppliers, and will include a verification system to monitor the progress and compliance on the ground.

Building upon the RSPO standards, the Charter will namely place greater focus on stopping: the deforestation of High Carbon Stock forests, using fire to clear land and planting on peat soils.

It will also aim to implement respect for human rights, including the right to Free, Prior and Informed Consent of indigenous and local communities.

All of the Charter's points will be developed into specific measurable criteria in partnership with TFT, who is providing acute expertise on sustainable practices within tropical raw materials, including palm oil. Updates on the Ferrero Palm Oil Charter can be found at the following links:
www.ferrero.com/news/group-news/Ferrero-Palm-Oil-Charter
www.ferrero.com/group-news/Ferrero-responsible-palm-oil-progress-update



The Forest Trust

"We are very pleased to see an ambitious move from a well-known company that is sending a strong message to the industry. What is very significant here is that this is Ferrero's own Charter - it is clear about the values it wants for its products, and when companies fully own their policies, they don't depend on anyone to make their vision and ambition become real. This encourages everyone around them to innovate and think about new ways to tackle the challenges of tomorrow".

Bastien Sachet, TFT Director

Greenpeace

"'No Deforestation' commitments... Italian chocolate company Ferrero... to cut forest destruction and human rights violations from their supply chains, represent a model for the rest of the industry to follow, said Greenpeace International at the Roundtable on Sustainable Palm Oil (RSPO) General Assembly".

The full article can be found at this link:

theindependent.sg/blog/2013/11/15/palm-oil-players-take-steps-beyond-rspo-greenpeace/

Focus box on Shea and Sal

Shea and Sal butter are both extracted from wild-growing trees in Africa and India respectively. Shea trees are endemic to the Sub-Saharan savannas, while Sal trees are found in Indian subcontinental forests. These fruit trees have never been transformed into plantations primarily because they take between 10 and 15 years to become productive and only reach maximum production after around 20 or 30 years. This has kept them in their natural habitat and has provided an important source of nutrition and income to surrounding communities, thus also allowing for rural development. Particularly, the income from the sale of shea kernels to export companies is an important income for the women in West Africa.

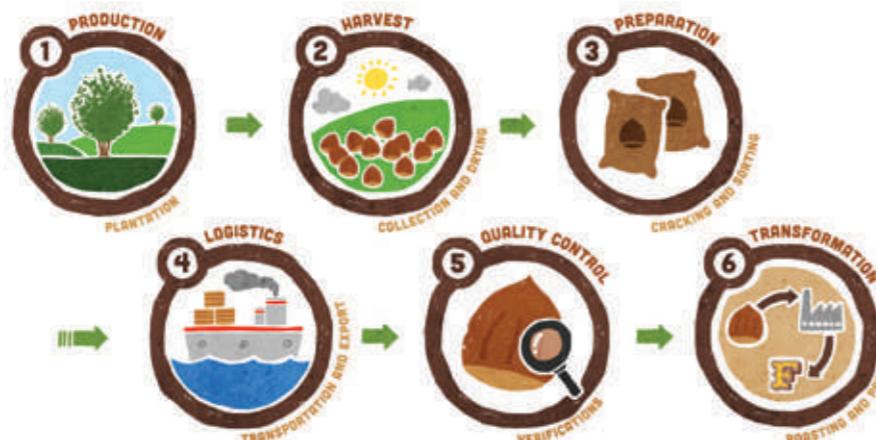
Furthermore, the trees' natural properties and lack of maintenance and input required intrinsically lends to a sustainable use of the land. The fruits are collected as an additional source of income for workers and are dried locally for consumption or commercial use. In Europe, suppliers process them into consumable butter, which is similar to cocoa butter. Ferrero uses it within some of its recipes to improve products in terms of texture and smoothness.

Ferrero Trading was honoured in 2011 by the Forest Minister of the state of Madhya Pradesh, India, for indirectly co-operating in tribal welfare for its commitments in purchasing small forest products such as Sal seeds in the state.

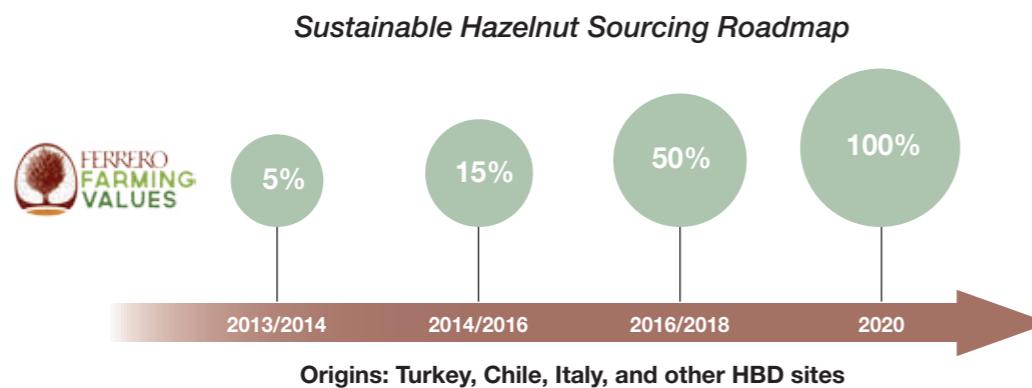


Hazelnuts

The hazelnut sourcing



Ferrero confirms its ambitious objective to reach 100% traceability for its hazelnut supply chain by 2020.



As described at the beginning of this chapter, the Ferrero Farming Value (FFV) Programme is also applied to hazelnuts, which focuses mainly on enhancing farming skills of all farmers contributing to the Ferrero supply chain. The approach applies the three pillars in order to build a solid and robust programme.

The first pillar is centered on “certification/standards”. Ferrero has developed a Protocol verification process based on the FFV hazelnut-specific criteria. From the beginning of the project Ferrero involved **SCS Global Services**, a leading global certification firm, in defining the indicators that make up the production criteria.

SCS, in collaboration with local auditors, has then been validating the model through a document specifically created to use in the fields with the farmers, the FFV Control Points. With an extensive round of audits during the harvest months (August and September in Turkey), the auditors

completed a comprehensive check of Ferrero's supply chain and defined the points of strength and the areas for improvement that constitute the objectives in the pipeline for FFV in 2014.

The constant monitoring of the situation and a better reading on the insights of the supply chain are possible thanks to the implementation of a traceability platform that is managed in collaboration with GeoTraceability. This tool allows Ferrero to have a clear picture on the location of the orchards, the production of the farmers that supply Ferrero and the main issues they face in order to better understand the technical support needed by them. Ferrero formed a team of agronomical engineers that are providing assistance to the farmers throughout the hazelnut producing areas of Turkey.



The second pillar is driven by individual projects with partners. During the preparatory phases for the harvest, Ferrero created an awareness campaign with the intent of reaching the children of rural areas where hazelnut is cultivated.

In partnership with the **Turkish NGO Hayata Destek (Support to Life)**, activities based on role games, songs and plays were used to dialogue with children about social issues such as the respect for people, life and work conditions and the value of diversity. In this perspective, two FFV Hazelnut decorated vans engaged 84 villages covering a total of 3,600 kilometers, with more than 6,800 children involved in the activities.

The project saw great participation from the rural communities with highly positive reactions. A large number of families enthusiastically participated with their children and mothers involved, while several village and town representatives asked to maintain the project in 2014, which is intended.

In parallel, Ferrero conducted, together with the Turkish social cooperative Ankara Development Workshop, a statistical study on the conditions of



seasonal migrant workers in the Western part of the Black Sea region. With a sample of 366 individuals monitored and interviewed, the study yielded very significant results and provided a precise reading of the situation along with a clear indication on the main points to develop an action plan to mitigate the situation.



The third pillar is based on “institutional/collective engagement” whereby Ferrero works towards a continuous dialogue with institutions of the host countries where it operates. In Turkey, Ferrero participates within **Caobisco**, the European chocolate, biscuit & confectionary association, as a leading financial contributor to a Public-Private Partnership with the **International Labour Organization (ILO) Turkey** for a project focusing on the elimination of the Worst Forms of Child Labour in seasonal commercial agriculture in hazelnut harvesting. Encouraging results have been attained from the project in 2013 where 330 families of seasonal agricultural workers have been assisted, resulting in 252 children withdrawn or prevented from going to work in the fields through provision of education services. Other practical onsite services were also provided to the families. Among the hazelnut garden owners that were reached and sensitized on the issue, 104 have been provided with individual counseling and training sessions. The project has created a wide awareness about the labour situation both in Turkey and Europe. The movie “Pikolo”, where the project’s activities are described, has been played at major international cooperation events and on national TVs.



Sugar



The total volume of sugar purchased by Ferrero in 2013 can be broken down to approximately 25% refined cane sugar and 75% beet sugar. For the sourcing of this raw material, especially in growing Ferrero markets, the procurement and quality team uses the baseline selection procedure for new suppliers. This allows a guarantee that the raw material always meets the Group's high quality criteria, through an auditing system.

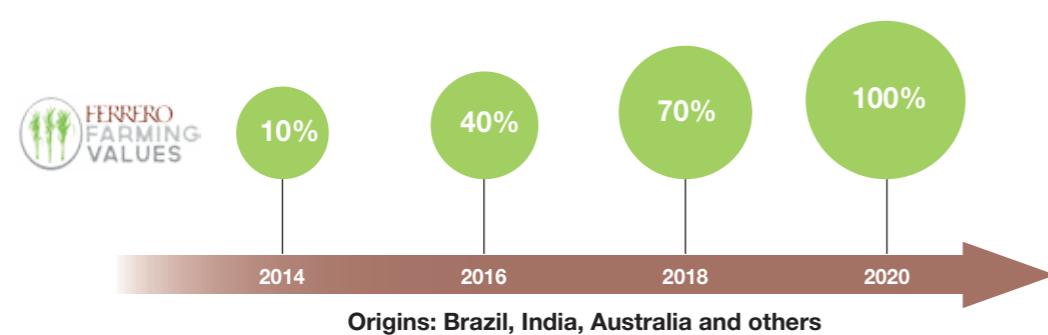
As mentioned in previous CSR reports, Ferrero ensures non-GMO purchasing across the board; the sugar sourced is therefore 100% non-GMO.

A roadmap to 2020 for refined cane sugar purchasing from sustainable sources has been reported last year and is illustrated below. In 2013, Ferrero has successfully bought 5,000 Bonsucro credits in Australia, which represent the first step to reach the 10% milestone by the end of 2014.

With the revenue from the sale of Bonsucro sustainability credits the farming community will benefit from extra money for investments directed at improving agricultural practices. These investments can go towards water saving techniques or an Integrated Pest Management approach, among others, in a framework of strengthening the sustainability practices that have generated the credits in the first place.

The Group is actively searching and scrutinizing other sustainable sources that could contribute to achieving the important objective of attaining 100% sustainable sugar cane.

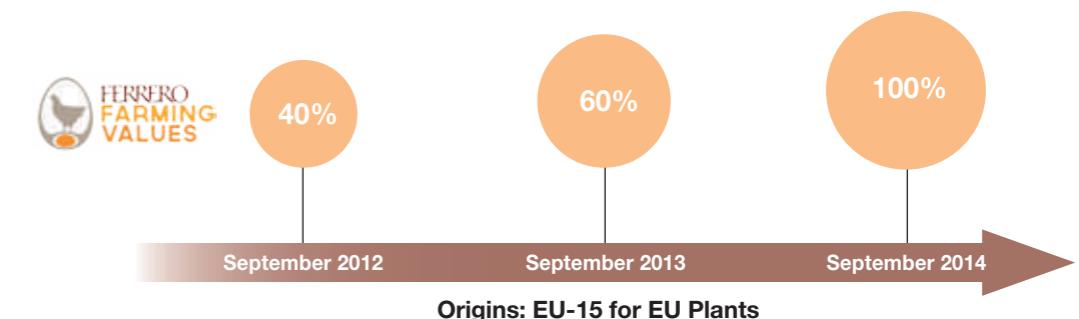
Sustainable Cane Sugar Sourcing Roadmap



Eggs

Ferrero has adopted a voluntary internal programme to source eggs more sustainably. The programme commits to sourcing eggs from **cage-free hens living in barns** with the following timescale to be applied for all EU plants.

Eggs from Cage-Free Barn Hens Roadmap



Ferrero is proud to confirm that, this reporting year, it has surpassed its objective of 60% by September 2013. Thanks to the commitment and collaboration showed by all suppliers, the Group reached instead a level over **70% of total supply of eggs being sourced from hens living in barns**. Ferrero remains confident to reach its ultimate goal by September 2014. With the development of two new manufacturing plants in Turkey and Mexico in 2013, Ferrero is developing the same strategy for these more unconventional areas, where cage-free eggs supplies are not readily available. The egg used in these plants will make up around 5% of Ferrero's global use. Although this represents a small quantity, Ferrero is engaged in dialogues with national suppliers from these countries to develop a way to reach 100% of cage-free eggs not just in Europe, but in the rest of the world whenever possible.





Over the years, Ferrero has continuously developed and nurtured long-term relationships with carefully selected suppliers in local milk-producing areas. This approach has allowed for a mutual collaboration aimed at guaranteeing and increasing freshness and quality with the same standards throughout Ferrero's global milk suppliers².

Ferrero continues to utilize these relationships to strengthen its “short and controlled supply chains” with a specific view on suppliers’ activities on sustainability aspects.

Not only does Ferrero strictly adhere to mandatory national raw milk and dairy production norms, the Group continuously leverages its suppliers to thrive towards best practice. The institutional dairy regulations, which typically cover topics of milk quality parameters (i.e. absence of antibiotics), classification and composition, can vary by country; however, Ferrero's high dairy sourcing standards are applied globally regardless of the level of the national regulation.

Ferrero collects milk directly from its dairy partners, which have been selected according to its own stringent standards, to guarantee at the same time freshness, taste and safety. Liquid milk is pasteurized within 24 hours and dried, when needed, within 48 hours from the collection and then delivered to the Ferrero plants.



²When using the term “milk suppliers”, Ferrero is referring to companies providing transformed milk products.

Using the “short and controlled supply chain”, Ferrero is able to create a streamlined traceability system, going beyond the norms (which includes 100% traceable to dairy farm), to provide a clearer picture of the raw material's path from farm to product.

Additionally, the Group's more frequent and thorough supplier auditing procedures on quality parameters also ensure a greater ability to trace milk back to its source.

Ferrero's best example of these procedures can be found within the “Milk Supply Chain Partnership Project” with two major suppliers, Inalpi (Italy) and Mittelelbe (Germany), where full transparency on the sourced products has been attained.



Milk Supply Chain Partnership Project

The objectives of the “Milk Supply Chain Partnership Project”, for the period 2013-2015, are the development and consolidation of the actions requested to reach the standards defined by the Ferrero protocol, in the purchasing of 30,000 metric tons of milk, through partnerships with suppliers in the three areas that characterize the supply chain:

“Short”: using the data to trace through a documented process, including the distance between involved entities, with a programme of documental implementation of agricultural companies.

“Controlled”: referring to the “Ferrero Quality Standards” in regards to the chemical and microbiological limits.

“Sustainable”: monitoring of animal welfare indices and environmental sustainability. In particular, the animal welfare indices that Ferrero aims to put in place through a monitoring system will be divided into the following categories: animal feeding, corporate facilities, animal health and animal behavior.

At the end of the reporting year, Ferrero began its Milk Quality Project (MQP), which aims to continuously improve the taste and quality of its milk. To do so, the project collects data from suppliers on farming practices, resource management and animal welfare and shares it back with them.

This was possible due to the improved internal control procedures. Based on the MQP monitoring process, Ferrero will buy a larger volume of dairy products from suppliers who display strong sustainability commitments or that source from dairy farms which have already implemented a sustainability programme with a focus on animal welfare.

Ferrero's hazelnut agricultural companies

The Ferrero Group is one of the largest hazelnut users globally. In order to meet growing demands, strengthen its leadership position in the world hazelnut market and ensure high quality hazelnut supply in the medium term, Ferrero has undertaken a strategy aimed at the development of new production opportunities. This initiative is called Hazelnut Business Development – HBD.

HBD's overall objective is to become a trusted partner of Local Governments, International Financing Institutions and Private Operators in initiating, developing and managing new hazelnut projects with long-term perspectives.



HBD is made up of various country agri-companies with 3 main components:

- **The pilot farms**, which are purchased and managed directly by HBD and have the following three functions:

1. experimentation: to ascertain the adaptability of different hazelnut varieties to the local agricultural weather conditions and to experiment with different agronomic techniques;

2. demonstration: to incentivise and promote the cultivation of hazelnuts with local operators;
3. productivity: to guarantee a significant part of the hazelnut harvest for Ferrero while still facilitating the sale of it at market prices.

- **The tree nursery**: which cultivate saplings of selected varieties grown in Ferrero/HBD's nurseries and are sold to local cultivators at a fair price³. In addition to selling the saplings, Ferrero offers farmers technical assistance for cultivating their plantations.
- **Research and training**: where HBD collaborates with national and international research institutions on various matters relating to the technical management of the hazelnut plantations. Additionally, there are training and publication sessions with farmers as part of international projects and with local training institutions.



³ Which covers direct costs and standard structural costs.

Ferrero's hazelnut-growing operations are located in the following countries:

- Chile, since 1991;
- Argentina, since 1994;
- Georgia, since 2007;
- South Africa, since 2009;
- Australia, since 2011.

As of 31 August 2013, Ferrero's hazelnut farms employ 1,082 people, to which 90 external collaborators⁴ are to be added for a total of 1,172.



Ferrero made the decision to invest in these plantations in order to source hazelnuts that meet the following criteria:

- an excellent quality and freshness, worldwide;
- a counter-cyclical supply to balance out the northern hemisphere's dominant production.

Indeed, considering that Ferrero's products do not use artificial flavouring or preservatives, one of the group's main priorities has always been to obtain raw agricultural materials of an excellent standard throughout the year.

In FY 2012/2013, Ferrero's farms have made progress in spreading the cultivation of hazelnuts throughout the world. In particular, the plantations in Georgia and South Africa have seen a notable increase in land farmed, in accordance with expansion plans. All the while, the more recent Australian plantation farm has finished setting up its own hazelnut plant nursery and has begun preparing fields to plant the seedlings.

⁴ Mainly as temporary workers and other direct collaborations, with the exclusion of service contracts

The volume of nuts collected thus far has been in line with forecasts while the overall quality of the HBD farms' hazelnuts has been significantly higher than that of the standard market.

Of particular note (and accounting for 50% of the total harvest) are the total volumes produced by third party local producers who have decided to adopt the Ferrero model. Nuts produced by these farmers were purchased through producers' associations endorsed by Ferrero, or directly by the Group.



Considerable efforts have been focused on Ferrero's farms located in the southern hemisphere (Chile, Argentina, South Africa and Australia), which are considered to be of strategic importance in supplying hazelnuts year-round.

Indeed, the southern hemisphere's phenological stages, guided by seasons opposite to those in the northern hemisphere, ensure that hazelnuts gathered between March and May provide a supply for Ferrero with a maximum freshness for the post-holiday chocolate production period.

Generally speaking, hazelnuts from the southern hemisphere reach Ferrero manufacturing plants between August and September, allowing the use of a nut with superior organoleptic qualities, right at the point where the northern hemisphere's harvest (which remains the largest) begins to run out of high quality stock.

Cultivation in the southern hemisphere has seen the crop adapt perfectly to the diverse regions and climates in which it has been introduced and production by hectare is in line with – or even greater than, in many cases – production in the northern hemisphere.

The profitability of hazelnuts compared with other similar crops is drawing increasing numbers of South American, African and Australian farmers towards hazelnut production, as a cash crop activity.

Excerpt from article written by Ferrero's Purchasing Director, Arduino Borgogno, published within **Climate Change: The New Economy, G7 Edition**, June 2014, entitled "**Sustainability in a Nutshell – Ferrero's Afforestation of Western Georgia**".



"As a hazelnut industry leader, the Ferrero Group has set out to test and disperse a sustainable agriculture system, through a project called 'Afforestation with Hazelnut Plantations in Western Georgia' (HAP). The result was replicable best practice model for the industry and beyond. In line with its corporate social responsibility (CSR) strategy, the Group has embraced its place within society and its role in advancing global development. This Georgian project alone has significantly helped the region, namely on food security, economic opportunity and climate change..."

...The HAP project sequesters carbon on previously abandoned land in a poor rural region near the Black Sea coast. It halts ongoing land degradation by improving its natural resources, while also providing much needed, sustainable and long-term income opportunities to local communities. It also establishes a long-term momentum to expand and solidify one of Georgia's main cash crops, allowing for the purchase of various crops and food products, thus nutrition diversification. By creating a permanent forest cover, HAP generates additional income from carbon credits to provide significant opportunities for environmental conservation and amelioration to reach better economic opportunities. Agrigeorgia operates in Samegrelo, one of the most rural regions of Georgia, and is the first Gold standard certified company in the Country, verified independently by TÜV SÜD...

...Agrigeorgia's long-term vision is reflected in sustainable development activities, additional to the carbon project. In the framework of a new training program established with USAID, 2,500 farmers received comprehensive training on sustainable hazelnut practices to achieve high quality production. Moreover, Agrigeorgia is one of the founders and promoters of the hazelnut Grower's Association, which is set to form the technical platform for local farmers to establish, manage and develop high-quality hazelnut plantations..."



The Gold Standard® testifies that

Project Name: Afforestation with Hazelnut Plantations in Western Georgia
Project ID: GE-HAP
Country: Georgia

has successfully certified 760'761 CO₂-certificates in accordance with The Gold Standard A/R Requirements and the CarbonFix Transition Guidelines.

The project was approved by the Technical Advisory Committee on 19th December 2013

Yours Sincerely

Adrian Rimmer CEO



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The Afforestation Project, which was implemented with hazelnut plantations in Western Georgia, has allowed Ferrero's Agrigeorgia to obtain, in 2013, certification for 760,761 carbon credits. This milestone guaranteed Agrigeorgia the status of Gold Standard certified company.

Minimizing environmental impact



Minimizing environmental impact

Conscious of the long way to go to achieve ever more relevant results, the Group has set up a specific "Product Sustainability" Department, with the aim of setting up a sustainability plan for the product area and guaranteeing consistency and integration with strategic plans, lending strong support to innovation, production and dissemination of internal knowledge, fundamental for a serious **environmental policy**.

The plan with which the Group has decided to tackle this challenge is subdivided into eight¹ strategic areas, which cover the product's entire value chain. Given the complexity of the matter, the plan is a work in progress that includes an on-going negotiation between economic, social and environmental aspects and between the demands of each area. Indeed, each factor must not be considered individually, but from a holistic point of view².

From January 2009 to August 2013, Ferrero Group's environmental sustainability programme has yielded the following results*:

Total electrical energy saved	186 655 MWh
Total thermal energy saved	268 858 MWh
Total water saved	4 400 090 m ³
Total CO ₂ saved per energy policy	489 183 t

In financial year 2012/2013, Ferrero Group's environmental sustainability programme led to the following results:

Use of renewable resources in packaging materials	34%
ISO 14001-certified production	91%
Waste materials sent for recovery	92.2%

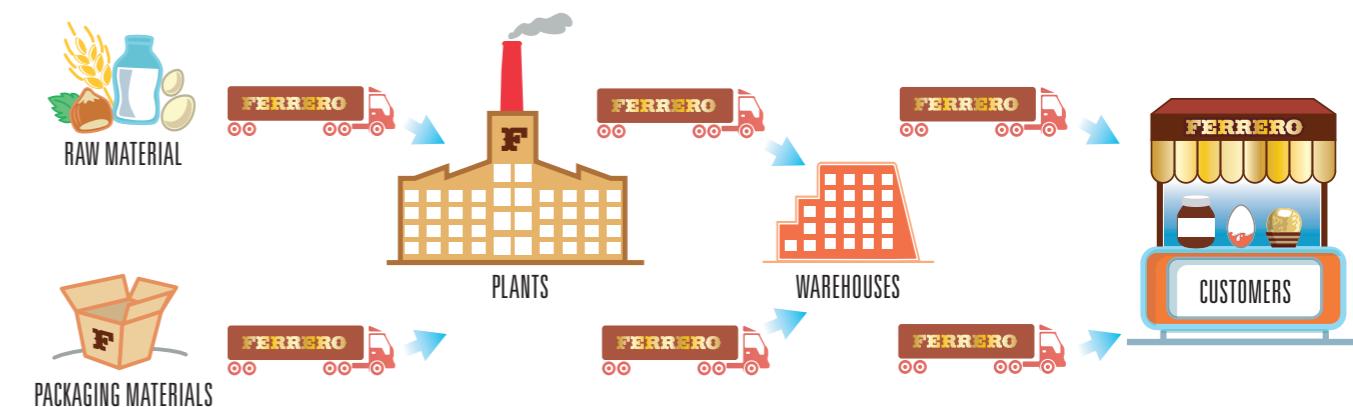
* The results are calculated based on 2009's data and relate to the 15 plants this chapter refers to and tea production account.

¹ Raw materials, packaging, production, energy, logistics, technical investments, Surprises, production of Ferrero Social Enterprises.

² Insights on the main areas are reported in the pages following this chapter and in the chapter on sustainable agricultural practices.

Developing a sustainable product policy requires a deep understanding of how the product interacts with the ecosystems during its entire lifecycle, from raw materials to its end-of-life. In fact, the Ferrero Group has, for many years, used Life Cycle Assessment, an internationally and scientifically recognised methodology helpful to support strategic decisions in the most objective way and useful for identifying critical areas of the product chain.

The following diagram shows, in a simplified way, the phases of a Ferrero product's life cycle drawn attention to the areas taken into account when measuring Ferrero's environmental impact (explored in further depth in this chapter³).



Looking for continuous improvement and in line with the requirements of the new GRI-G4 guidelines, Ferrero is working on a road map for redefining the Group boundaries. For example, the project to extend the environmental data collection system to the new plants in Mexico, Turkey and the Ferrero Social Enterprise in India is currently underway.

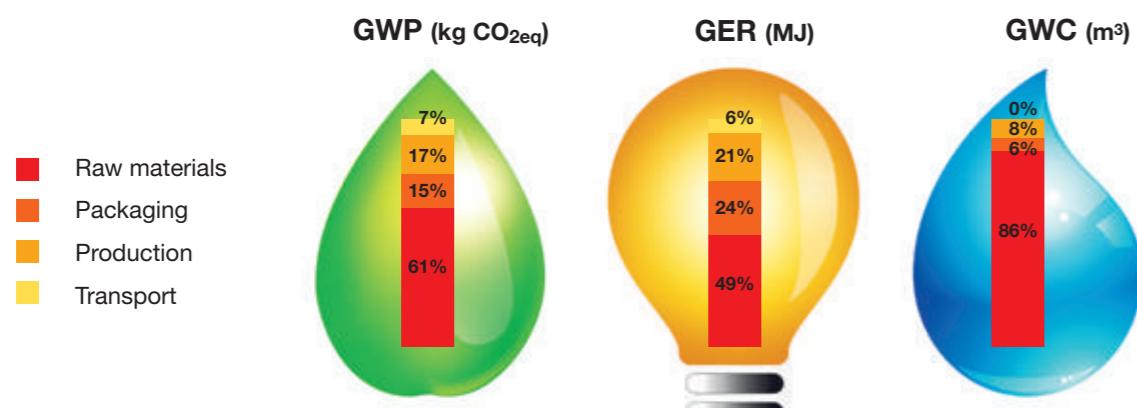
³ The subjects discussed in this chapter are: raw materials; packaging; fifteen production plants in Europe, the Americas and Oceania (see "Ferrero in the world" for a full list of plants); warehouses for raw materials, packaging and finished products; transport managed directly by Ferrero's logistics; surprises.

The Ferrero Group's environmental footprint

In order to measure the environmental impact through a life cycle, Ferrero has identified three key indicators in the most sensitive areas:

- the **impact on global warming** caused by the direct and indirect emission of greenhouse gases⁴ (**Global Warming Potential - GWP**);
- the **total amount of energy used** (**Gross Energy Requirement - GER**);
- direct and indirect **water consumption** (**Global Water Consumption - GWC**).

The following picture shows the value of these indicators based on their impact on the entire value chain:



The analysis took into account the 15 plants reported in this chapter, internal warehouses and transport managed by Ferrero. Transport, in this case, means the transportation of raw materials and packaging from suppliers to Ferrero plants, and the transportation of finished products from the Ferrero plants to Ferrero customers.

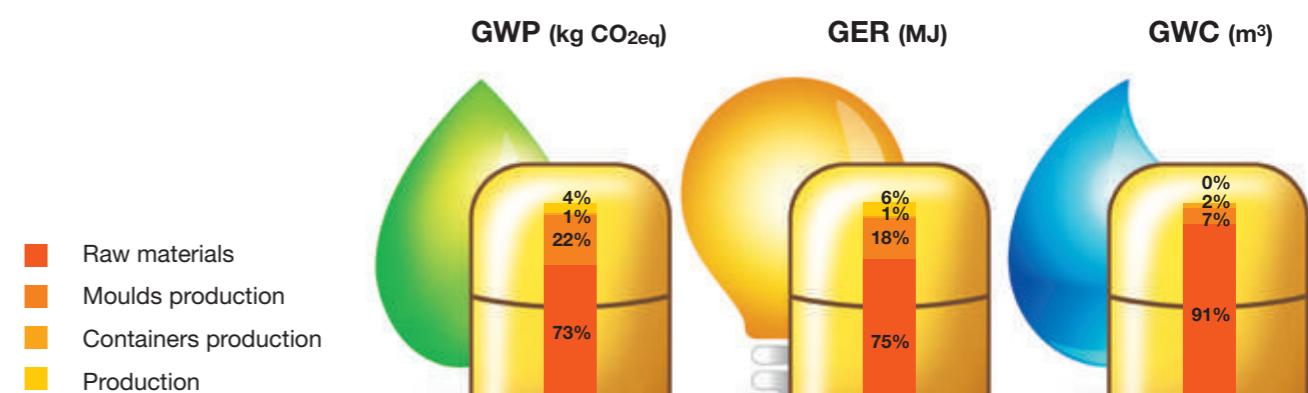
As highlighted by the three indicators, the most considerable impacts are generated in the production phase of raw materials (agricultural materials and packaging). For this reason, the Ferrero Group has set itself challenging objectives in terms of traceability and sustainability of the main supply chain of raw materials (cocoa, coffee, milk, hazelnuts, palm oil, cane sugar), as well as paper and cardboard - one of the most commonly used packaging materials, and the only one that can be certified in terms of sustainability⁵.

As with last year, the environmental performance analysis of Ferrero's was updated. Specifically including the "surprises" associated with certain Kinder® brands (Kinder® Joy/Merendero, Kinder® Surprise and Kinder® GranSorpresa eggs).

⁴ 100-year GWP calculated in kg of CO₂ equivalents.

⁵ For further reading please refer to the "Sustainable agricultural practices" chapter and to the paragraph "Ferrero packaging" of this chapter.

The values refer to the 2011/2012 financial year⁶ and include the cycle of the Surprises from the production of materials and moulds to the injection moulding process and transportation.



The Group is also working on improving and solidifying the collected data on Ferrero toys, in order to set challenging sustainability targets for itself in the near future.

The Ferrero Group is also committed to analysing the main brands' environmental footprint. For this reason, a project was piloted in FY 2012/2013 with the aim of identifying an internal methodology to define a specific **sustainability roadmap** for the different product categories.

At the same time, the Group took part in the ENVIFOOD PROTOCOL test, by contributing towards the implementation of a European methodology with the aim of conducting analyses of the environmental impact of food and beverages.

The test, which concluded in mid-October 2013, has allowed to identify improvements in the application of the methodology, highlighting peculiarities for the food & drink sector and links to the PEF (*Product Environmental Footprint*) methodology developed by the European Commission to measure and disclose the potential environmental impact of a product's life cycle. The results were discussed in early 2014 during the **Food SCP Round Table Workshop**, an event involving trade associations, private companies and the European Commission.

⁶ The reference period for the production of the surprises refers to the production year 2011/2012 which corresponds to the commercial year of selling 2012/2013, in line with the data collected in this chapter of the report.

Compared to previous reports, the data aggregation process has been updated in order to allow a more precise vision of the impact areas.

Climate change and agricultural practices

Climate change is universally considered to be a major influencing factor on agricultural activity at various levels. In particular, farming in tropical countries is extremely sensitive to changes in climate trends and models, which often create adverse phenomena at regional level. Insofar as the confectionery industry is concerned, Ferrero's own products use raw materials that are by necessity tropical in origin. Extreme meteorological events gradually increase supply chain risks, such as sudden price increments or unpredictable availability of goods, which may often be of a lower quality. As a result, a sequence of disastrous long-term effects is triggered: rural areas are abandoned (with a migration of human capital), services and infrastructure are lost, the supply chain becomes more complex. Increased economic efforts to ensure high quality ingredients, typical of the Ferrero business model, cause major financial exposure, which the Group deals with through mitigation programmes and by working in close contact with local producers. Further details on the Ferrero Group's programmes are available in the "Sustainable agricultural practices".

Environmental performance of Ferrero's plants

Improving the environmental performance of Ferrero's production plants has been the subject of ever increasing attention. In the last five years, these efforts have been, above all, aimed at energy and water saving objectives, which were in fact met before the deadline, originally posited as 2020.

Specifically, in the last five years, savings in these areas have been as follows:

- **186 655 MWh of electrical energy (equivalent to the energy used by 35 000 lightbulbs of 60 W left on for 24 hours for one year);**
- **268 858 MWh of thermal energy (equivalent to the energy used by around 150 million hot showers);**
- **4 400 090 m³ of water (equivalent to 1,760 Olympic-size swimming pools)**



With regards to waste, attention has been given to separation and sorting at source and recovery, the rate of which has increased by 3.8%, from 88.4% in 2009 to 92.2% in FY 2012/2013.

The fifteen plants that are subject the analysis within this chapter are spread across Europe, the Americas and Oceania.

In FY 2012/2013, eleven plants are endowed with an ISO 14001-certified environmental management system, covering around 90% of production of the plants within this scope of reference.

At the same time, the transition certification Group was done, with the first cycle of audits carried out by a single qualified external body⁷: since June 2013, the Ferrero Group has had a **multi-site ISO 14001** certification. This unique certificate covers the eleven plants that previously had separate local certifications validated by different external bodies. At the end of 2013, the Quito plant in Ecuador also joined the multi-site certification. By the end of 2017, the other three production sites that are not yet certified will gradually enter within the certification's boundaries confirming the declared target.

The Group has equipped itself with an Environmental policy. It is a management and procedures manual (updated as necessary) aimed to setting a common vision for waste energy, management, water cycle, atmospheric pollution, the water cycle and for the prevention of soil degradation, as along with data analysis and the environmental targets of Ferrero's sites.

A project was launched to encourage communication, integration, and exchange of knowhow and best practice within the Group and is processsing. Below are the last year's results.

The **P.I.X.A. (Program of Internal eXchange of Auditors)**, which allows technicians to participate in environmental audits at plants in which they are not based, has led to 9 out of 14 audits to have a cross auditor in attendance, in its first year of implementation. The project has also been extended to the central functions that deal with environmental sustainability.

The online **Community** reserved for environmental is featured on the company intranet portal and allows for the archiving and consultation of documents (Group and local, internal and external), regulations and certifications that involve the Ferrero plants.

⁷ The certification body chosen by the Group is Bureau Veritas, a UKAS-certified international body with a presence in 140 countries.

The **C.A.M.E.D.** project (***Collection, Analysis and Management of Environmental Data***) has completed its first phase, which saw the creation of a software dedicated to the collection of environmental data, with the aim on the one hand to improve the flow of data and guarantee its security and on the other hand to create a common language between all the group's plants.

By now the system is operative and already well known. It allows for the analysis of various indicators between the different plants with common reports, which is the basis of the second phase of the project's development, expected to be completed by 2014. The new plants in Manisa, Turkey and San José Iturbide, Mexico are also being given training and support to take part in the project.

With regards to the **ISO 50001 certification** ("Energy management systems – requirements and guidelines for use"), the Group has obtained two local certifications, subject to surveillance audits in the last year, in the Villers-Écalles plant in France and Stadtallendorf in Germany.

Environmental performances of the plants – Main components

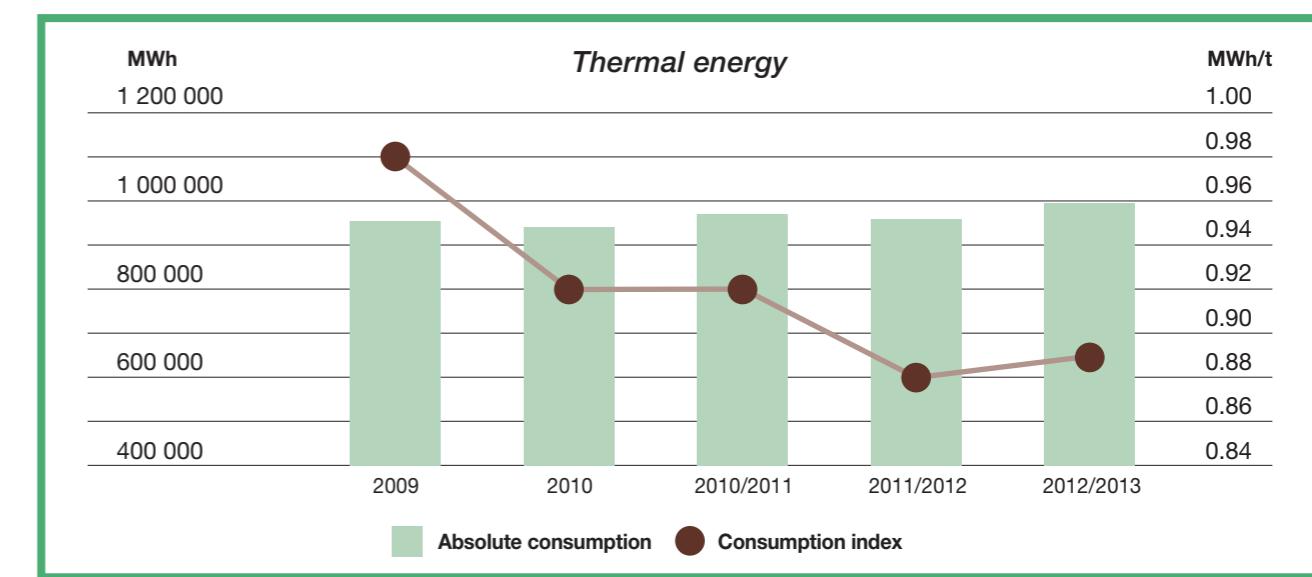
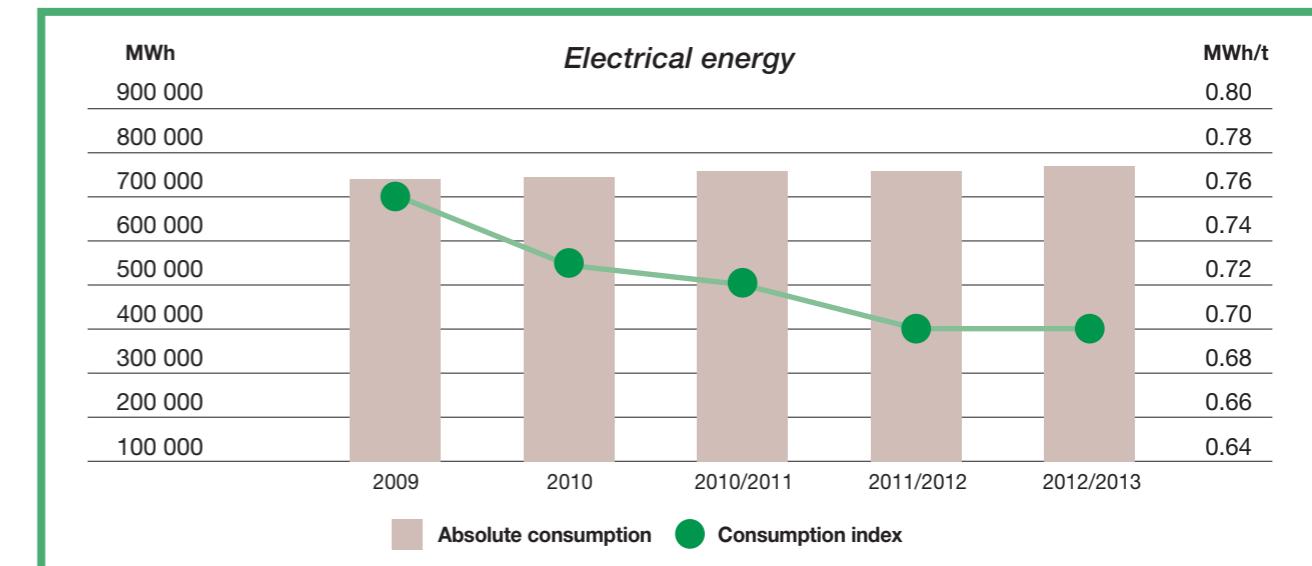
Below are the indicators (KPI – Key Performance Indicators)⁸ for the different environmental components.

Energy consumption

Parameters	2009	2010	2010/2011	2011/2012	2012/2013
Electrical energy consumption	MWh	747 625	751 452	761 897	763 758
Electrical energy consumption index	MWh/t	0.76	0.73	0.72	0.7
Thermal energy consumption	MWh	965 356	952 752	971 400	968 898
Thermal energy consumption index	MWh/t	0.98	0.92	0.92	0.88

As can be seen from the charts, the trend of the last five years shows a progressive decrease in the plants' specific energy consumption and a consolidation of the result obtained last year, with indexes equivalent to 0.7 MWh/t for electrical energy and 0.89 MWh/t for thermal energy. Absolute energy consumption values show an increase, due to increased production.

⁸ Starting from the 2012 report, the data contained within this chapter refers to the period from the 1st of September to 31st of August rather than the calendar year as in previous editions. This change, which allows Ferrero to adapt the reporting to that of the entire CSR report, involves some overlap with the periods of 2010 and FY 2010/2011. It is therefore necessary to take into account the limited comparability of the data related to these periods.



To further push the manufacturing plants towards energy efficiency, specific activities will be and take effect as of the 2013/2014 financial year. First off, the "Green Weekend" project, which has the aim of reducing energy consumption during weekly production stoppages, starting with a careful analysis of the plants. The results will be obtained through the involvement and sensitisation of the entire production staff. The project's slogan is "**Every weekend is a Green Weekend**". A gradual reinforcement of energy management oversight will also be initiated in the plants, building a network of competences amongst the technicians who will therefore be able to compare each other and exchange experiences and solutions. Efforts to find energy wastes (for example, compressed air leaks, leaks in the steam distribution system, thermal energy leaks from buildings and offices) will continue in parallel.

At the time of writing this report, **energy check-ups** are being carried out in all the plants and facilities. This result was achieved thanks to a particular focus on the target (initially expected by 2020), which is considered to be a starting point for further steps in improving energy efficiency in the next coming years. The check-ups provide a snapshot of the energy flows used by the plant, and allow for the implementation of waste management initiatives and energy efficiency improvements. In some plants the check-ups have already been or are currently being updated.

The Group will continue to pursue savings and energy efficiency in the new plants just as in those that currently exist, carefully measuring energy consumption and waste. This translates to an increasingly detailed spread of modern measuring instruments that, thanks to the acquisition, monitoring and archiving of data, enable a targeted and specialised control of energy expenditure.

Water management & saving

As can be seen from the data, the trend of the last five years has once again seen the Group achieve significant reductions and a consolidation of the results achieved, with an overall improvement of 26.4% on the water consumption index, which reached the level of 3.87m³/t last year.

Parameters		2009	2010	2010/2011	2011/2012	2012/2013
Water usage	m ³	5 171 117	4 788 176	4 334 380	4 156 350	4 308 536
From rivers	%	23.3	27.6	17.2	19	20.9
From groundwaters	%	41.2	32.4	36.8	33.3	32.3
From aqueducts	%	35.4	40	46	47.6	46.8
Water consumption index	m ³ /t	5.26	4.63	4.10	3.79	3.87
Water discharge	m ³	2 981 574	3 183 841	3 173 836	3 012 981	3 056 674
Sewage network	%		94	93.2	92.8	92.8
Surface water	%		5.7	6	6.2	6.7
In soil or subsoil	%		0.3	0.7	1	0.5
Water discharge index	m ³ /t	3.03	3.08	3.00	2.74	2.75

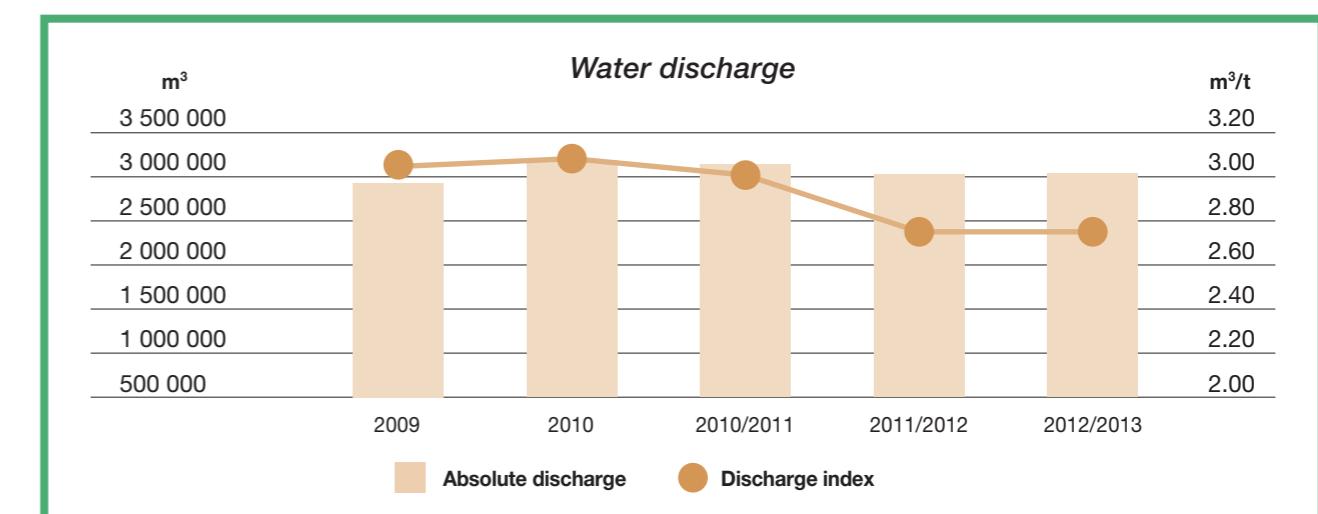
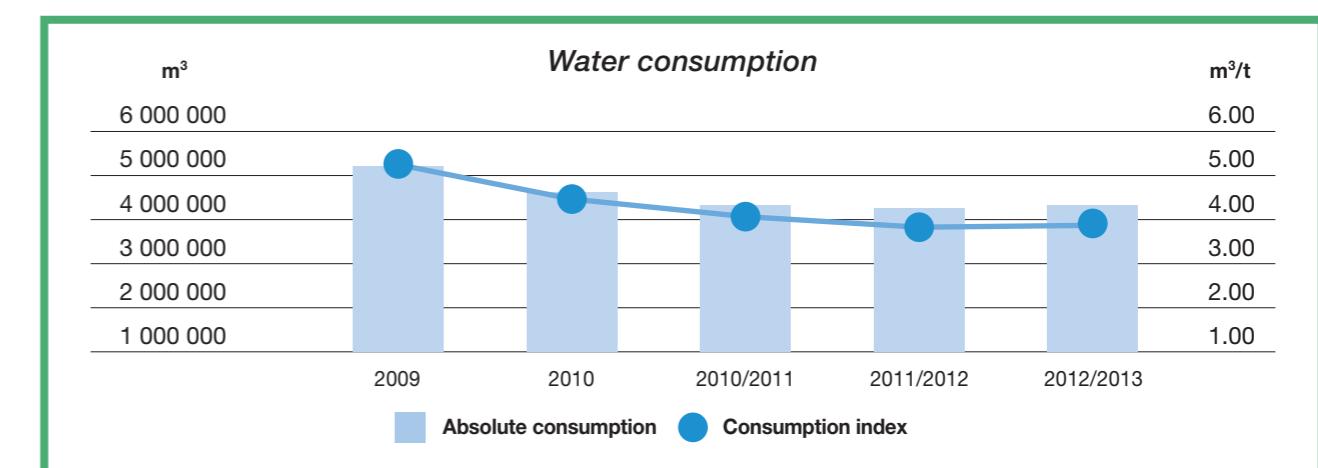
As in the past, efforts to reduce consumption have concentrated on operations concerning the improvement of cooling circuits, water distribution network leakage, optimisation of existing plants and the application of time-honoured water saving techniques, as CIP (Cleaning In Place) cleaning systems, the installation of automated dispensers and the adoption of cooling systems with water recirculation (e.g. with cooling towers).

If permitted by the legislation and by the hydrogeological characteristics

of the site, the water source is chosen so as to reduce the impact on the environment and on other users.

With regards to water discharges, however free of toxic or dangerous substances, there have been local projects to improve their environmental quality, such as training the cleaning staff in the use of detergents, installing automatic dispensers and choosing eco-friendly products. The analysis of processes is also important to identify phases, areas and machineries that cause the dissolution of substances into water; where possible, interventions have been carried out to lower the quantity or find alternative cleaning or process solutions.

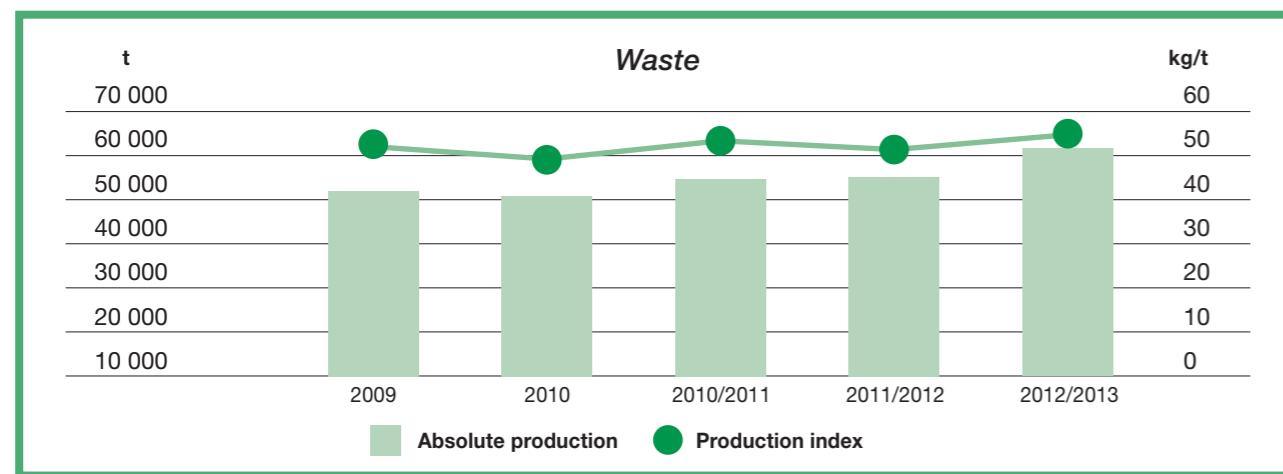
Depending on local particularities, plant discharges are directed towards external treatment plants, always leading to favourable solutions for both parties and for the environment. Indeed, the composition of the waste materials often facilitates the treatment process of the external plants; in addition, the outsourcing of treatment eliminates the use of chemical substances and improves the plant's hygiene.



Waste management and prevention

Parameters	2009	2010	2010/2011	2011/2012	2012/2013
Waste generation t	52 947	51 116	55 632	55 908	61 710
Recovery index %	88.4	89.6	89.1	90.9	92.2
Waste production index kg/t	53.8	49.4	52.7	50.9	55.5

The trend in these five years' waste production is fairly consistent, though showing an increase in the latest reported year (2012/2013).

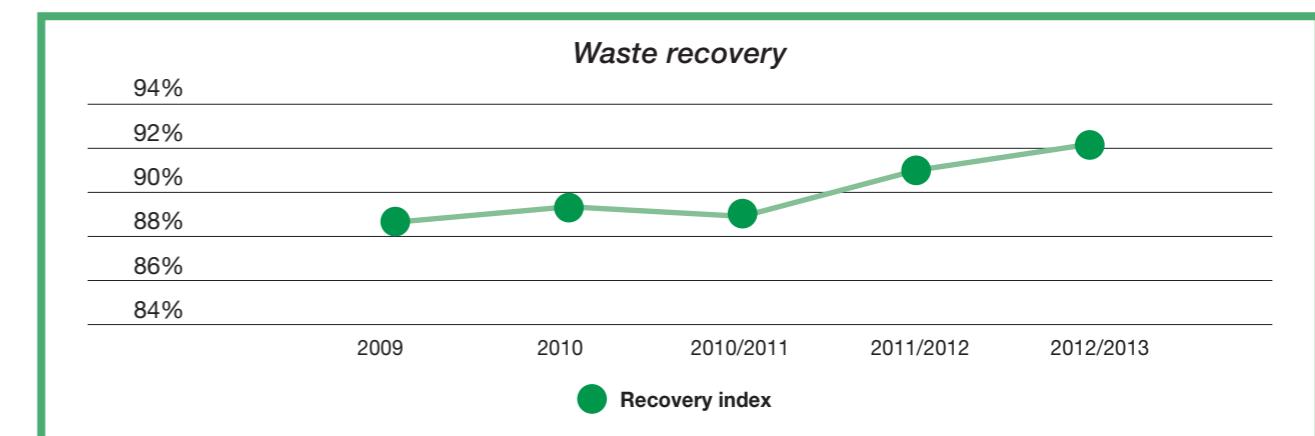


Research is currently underway to identify specific projects concerning the decrease of waste production with a view to constantly increase the amount of waste recovered, consistent with recent European Union guidelines.

To this end, the Group has begun **analysing waste products**, tracing them back to their production processes in order to focus **waste reduction efforts** appropriately. These processes reflect the composition of the Group's waste products and have been identified as follows:

- production: waste linked to the production process;
- packaging: waste derived from primary, secondary and tertiary packaging used in the plants;
- analysis and control: laboratory waste;
- maintenance: waste derived from ordinary and extraordinary on-site maintenance activity;
- containment of emissions: waste derived from the plants' emission treatment processes, such as water discharge and air emissions;
- other: waste products that do not fit into any of the above categories.

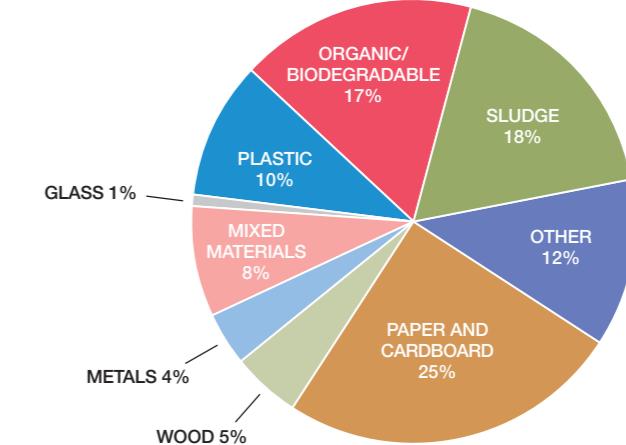
The Group has, in these years, focused its efforts on reducing every waste of resources, favouring preventative actions and placing emphasis on recovery, as evidenced by the increase in the percentage of waste recovered, constantly improving, with a value of 92.2% last year.



As in the past, great attention is given in the recovery of paper, plastic, glass and metals in specific, including recycling, composting and, where possible, energy recovery.

The FY 2012/2013 situation is reported in the following chart, which shows a cross section of recovered non-hazardous waste products:

Recovered non-hazardous waste for weight in FY 2012/2013



Dangerous waste amounts to 1.27% of the total and is created exclusively by maintenance and analysis & control activities (chemical, physical, microbiological).

The main preventive measures involve the sensitisation of all staff, the improvement of production lines and packaging efficiency and, lastly, the repurposing of the inevitable production line food waste towards animal feed.

In conclusion, the 2012/2013 reporting year saw no significant waste spills or accidents in any of the 15 manufacturing plants, nor were there any noteworthy external reports.

Energy and environment

In financial year 2012/2013, Energe⁹ consolidated its European assets and also began activities in non-EU countries.

Evolution of the power generating capacity

The creation of new generating plants continues, exclusively with high efficiency or renewable energy technology for their environmental benefits. The following table reports on the use of electrical power in megawatts, subdivided by country and by source, by plants that are operating (or under construction) within this reporting period.

List of active plants or plants under construction at Ferrero's sites				
MW	Natural gas	Liquid biomass	Solar power	Wind
Italy	34.60*	17.2	1.35	
Germany	13.0		0.63	
Poland	5.60			0.03
Belgium	4.20			
Canada	4.60			
Australia	0.70			
Ireland	1.50**			
Total per source	64.20	17.2	1.98	0.03
Total	83.41			

* Includes 25 MW of Alba Power equivalent to 51% total power (% of Ferrero's participation in the company Alba Power S.p.A.).

**Under construction.

The following chart indicates self-production capacity gradually introduced since 2008.



⁹ Energe: a Ferrero Group company.

Development of new projects

In 2013, **Quattro-Gen**, a new high efficiency (4.6 MWel) CHP (Combined Heat and Power) natural gas plant came into operation, in Brantford, Canada. The output of this station is subdivided into four vectors: electricity, steam, hot water and chilled water. Poland's wind project continues to progress, while the Italian project has been suspended; effectively installed power stations and the timing of their production is tied to authorization processes as well as the impacts of new regulations coming into effect. Studies and techno-environmental assessments were completed for a CHP power station running on biogas (obtained through anaerobic digestion of by-products). Evaluations from fermentation tests and relevant national policies seem to favour their actual development for animal feed rather than energy related ends.

The design phase has begun for a new self-production plant (CHP/high efficiency gas) at Ferrero's plant in Cork, Ireland, while assessments continue for additional plants on the remaining production sites (e.g. Mexico, Brazil, Russia) confirming the group's interest in taking every opportunity to reduce CO₂ emissions within its own processes.

Other actions/information

Certifications

The self-production power plant systems in Arlon, Belsk, Lithgow, Sant'Angelo dei Lombardi and Stadtallendorf are included within the parameters of the respective plants' ISO 14001 certification of the. Alba Power has renewed the ISO 14000 and EMAS certifications.

Research activity

Ferrero enjoys favourable relationships with academic and scientific research worlds, at international level. In Italy, the collaboration with universities and industrial partners continues with a research project that aims to evaluate different technologies for making industrial processes more efficient, for energy production starting from the by-products of Ferrero's industrial processes. The research developments in the field of liquid vegetable biomass (algae) not in competition with the food sector are interesting for Ferrero's Group.

Objectives for 2013/2014

It is necessary to report that 2013/2014's self-produced electrical energy targets have become particularly ambitious for the following reasons:

- the new direction in energy policy taken by certain European countries and the introduction of regulations with greater constraints on the development of power plants;

- uncertainties in the authorisation processes;
- certain communities' sensitivity to the impact of new installations on the landscape (for example, wind turbines).

Therefore, against these targets Ferrero expects to achieve the following:

- for installed self-production capacity, 83.5 MW (rather than 85 MW) of which 22% (rather than 25%) is from a renewable source;
- for self-produced electrical energy, 70% (rather than 75%) of the energy consumed by all of the group's European plants (Belgium, France, Germany, Ireland, Italia, Poland, to the exclusion of Russia and Turkey) of which 18% (rather than 25%) is from a renewable source.

The Group confirms its commitment to implementing an energy plan at global level by 2020, compatible with the local obligations of existing and future plants aimed at reducing emissions, which will be explained in the next report.

Alba power and the city of Alba's district heating

This year saw continuing activity from Alba Power, the high efficiency CHP plant built in 2007 through a partnership between Ferrero and the local authorities. The plant is one of the few in Italy that has obtained the endowment of "green certified" and certificates of energy efficiency, by virtue of the use of the energy produced, be it for civic district heating purposes or for the improvement of an industrial site's energy efficiency.

Alba Power's purpose is to deliver both electrical and thermal energy to the Ferrero plant in Alba, thermal energy to the city of Alba's district heating network and electrical energy for end customers. From its entry into operation, the plant has produced over two million electrical MWh and another three million thermal MWh. Moreover, thanks to its high efficiency it has provided a significant contribution to the reduction of CO₂ emissions.

The key numbers in Alba's district heating are as follows: over 820 buildings (among which are houses, offices, business, shopping centres, schools and the hospital) are connected by a network of over 30km of tubing, almost 4,000,000 m³ of heating units and an installed capability of around 100 MW.

The advantages are evident:

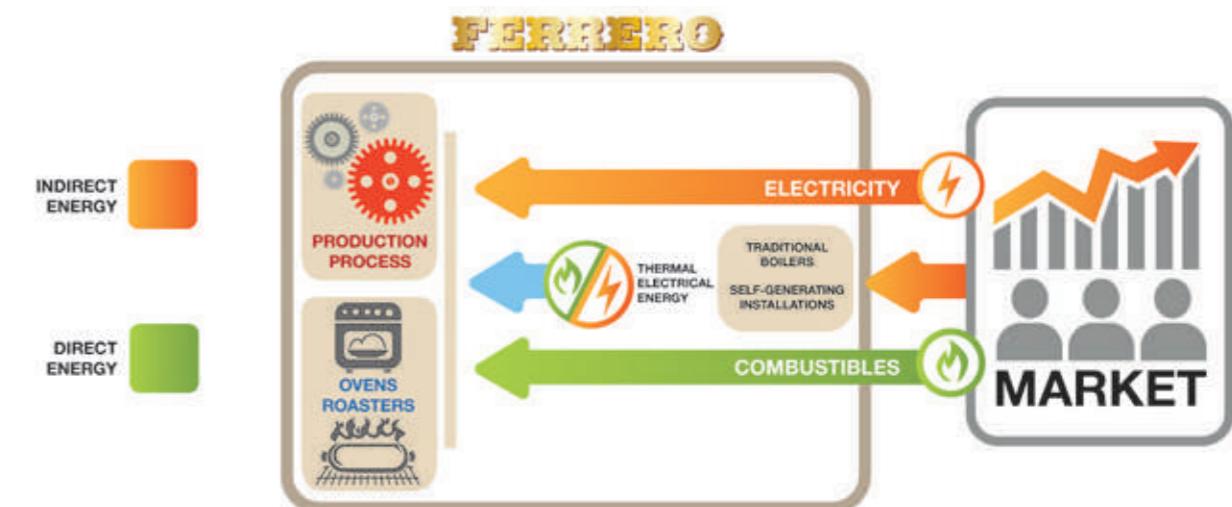
- on an environmental level, reduction of CO₂ emissions due to elimination of domestic heating system;
- on an individual user level, reduction of charges and of costs related to domestic heating system (yearly check-ups, maintenance, replacement approximately every ten years) which is replaced by a simple heat exchanger.

Energy production and purchase

The following paragraph will employ the definitions as described below:

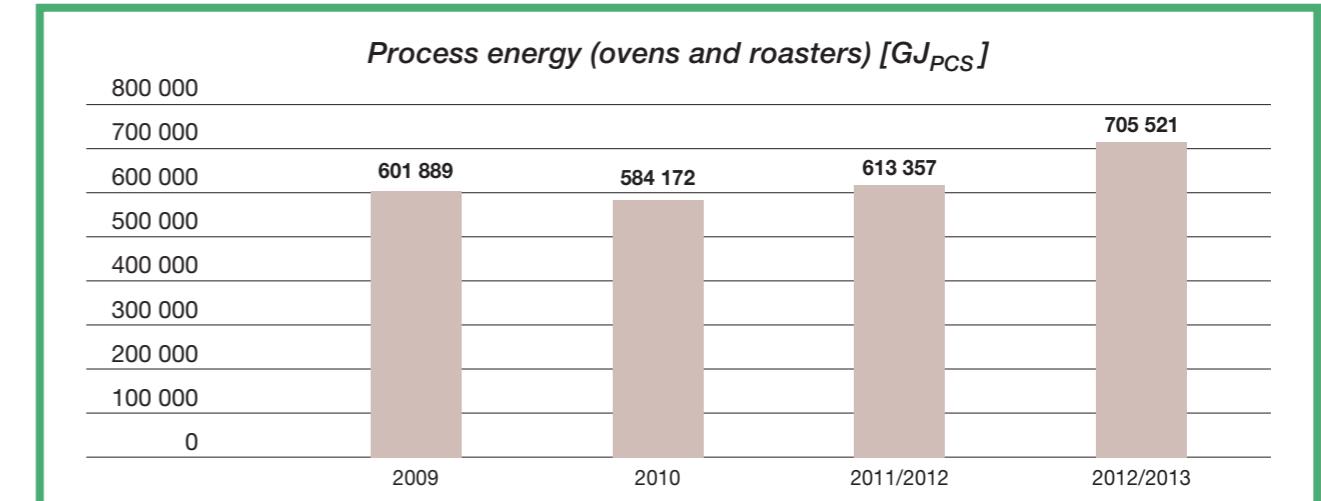
- **direct energy:** the energy used for factory ovens and roasters;
- **indirect energy:**
 - **thermal**, in the form of steam and hot water, completely self-produced;
 - **electrical**, partly self-produced and partly purchased on the market.

The 2011/2012 and 2012/2013 data refer to September 1st to August 31st, while the comparison years 2008, 2009 and 2010 refer to the calendar year (from January 1st January to December 31st); it is therefore mandatory to take this limitation into account when comparing data from different time periods.



Direct energy

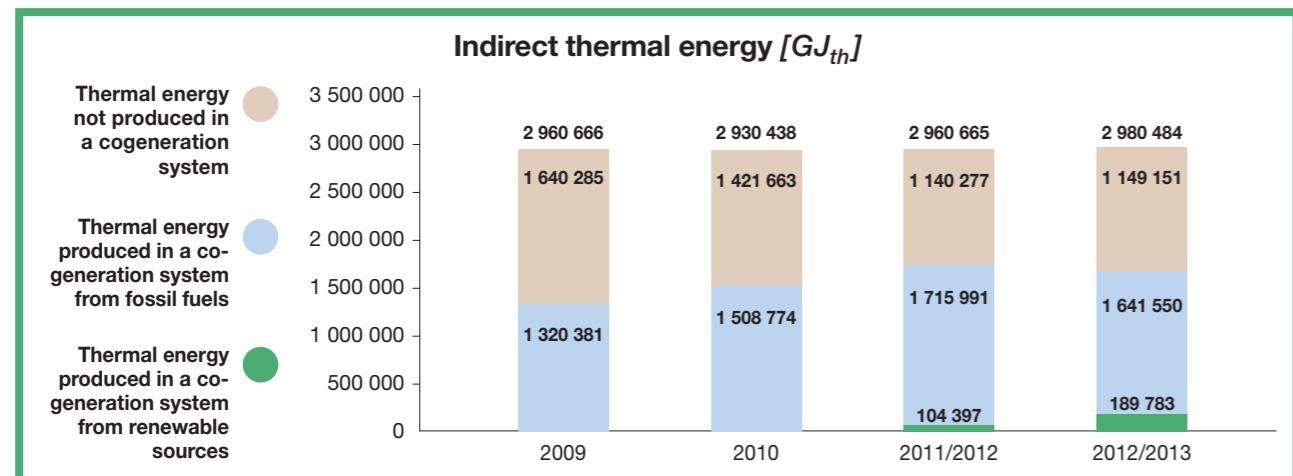
The following charts illustrate the annual consumption of direct energy.



The past year has seen an increase in the use of energy from ovens and roasters, mainly caused by the production mix and by volume increases in the production facilities that process cocoa, baked goods and wafer-based confectionery.

Indirect thermal energy

Thermal energy, in the form of steam and hot water, is totally self-produced in traditional boilers or in high-performance cogeneration plants.

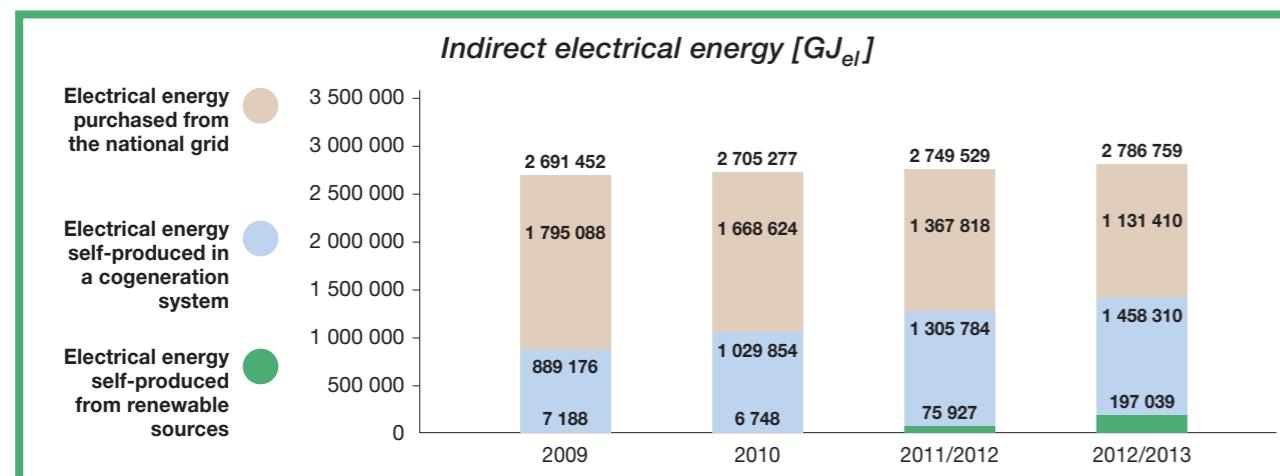


Highlights:

- the progressive increase of the production of thermic energy production in the high-efficiency cogeneration plants;
- the increase in thermal energy production from renewable sources;
- the production of thermal energy is in line with the previous years despite the increased production volumes, serving as further testament to the efficiency of Ferrero processes.

Indirect electric energy

Electrical energy is partly self-produced (in high-efficiency cogeneration



plants or from renewable sources) and partly purchased on the market. The “environmental characteristics” (consumption of primary energy and CO₂ emissions) of the portion bought from the market will depend on the composition of the generation plants of each individual country.

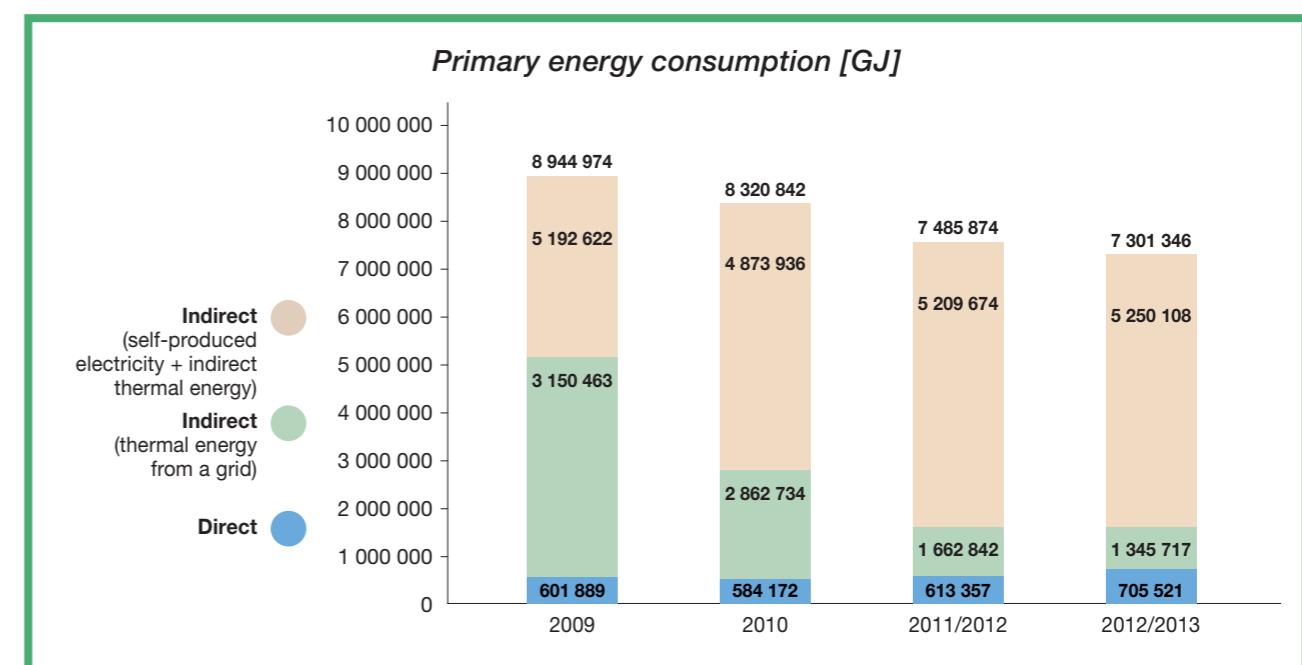
Highlights:

- the progressive increase of the self-producing electrical energy in the high-efficiency cogeneration plants and from renewable sources;
- the production of electrical energy (self-produced or purchased) is in line with the previous years despite the increased production volumes, serving as further testament to the efficiency of Ferrero processes.

Benefits obtained

The gradual commissioning of high-efficiency cogeneration plants or renewable sources and the interventions for more efficient energy in the production processes contributed to the steady improvements of the Group's energy and environment performance, with a decrease of primary energy consumption and CO₂ emissions. These reductions, expressed as an absolute value, are even more important in view of the trend of constantly increasing annual volumes.

The chart below also includes the contribution from electricity purchased on the market for the Stadtallendorf production plant, which is 100% certified as coming from a renewable source.



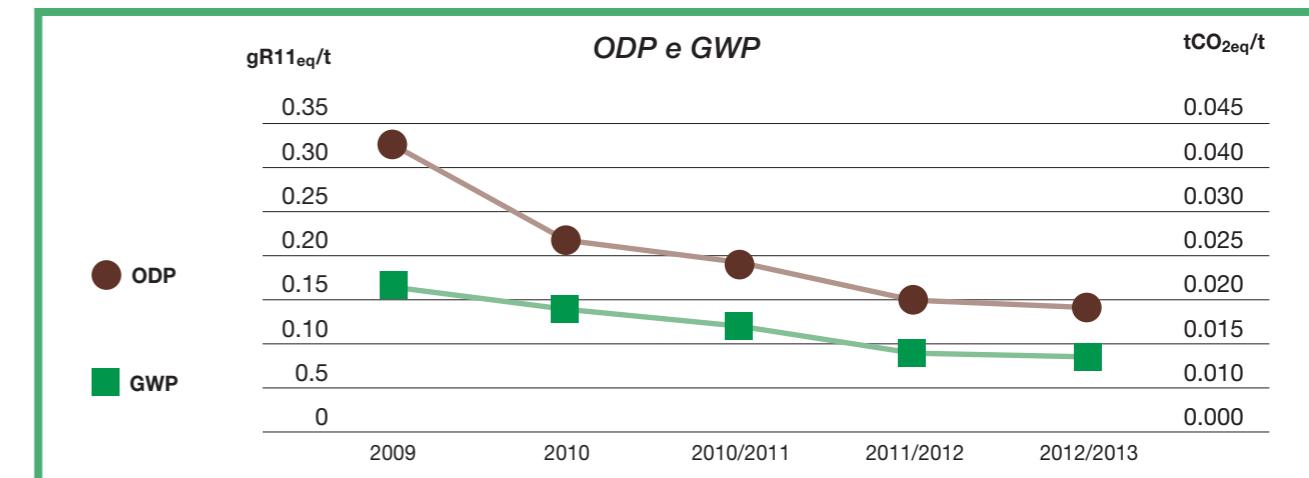
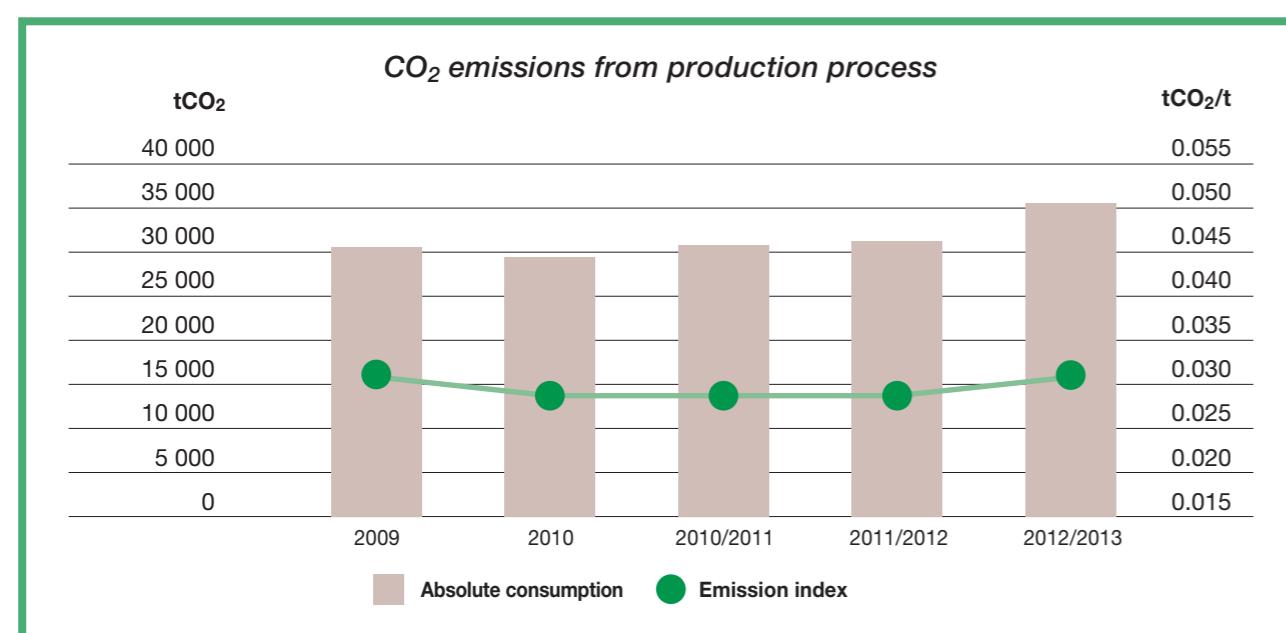
Primary energy consumption in 2009 and 2010 has been recalculated after a data update related to outsourced productions, which appeared after the publication of the 2011 Corporate Social Responsibility report.

CO ₂ emissions					
Direct emissions					
Parameters	2009	2010	2010/2011	2011/2012	2012/2013
Direct CO ₂ emissions from manufacturing plants tCO ₂	30 135	29 250	30 092	30 738	35 337
Direct CO ₂ emissions index from manufacturing plants* tCO ₂ /t	0.031	0.028	0.028	0.028	0.032
ODP from consumption of refrigerant gases gR11 _{eq} /t	0.33	0.22	0.19	0.15	0.14
GWP from consumption of refrigerant gases tCO _{2eq} /t	0.022	0.019	0.017	0.013	0.012

The slight index increase in FY 2012/2013 is mainly caused by the production mix (same as for the energy).

The data from Ferrero production sites show a stable trend in the CO₂ emissions index derived from production processes. There is a decrease in the two indicators for fugitive emissions of the gases used in refrigeration systems, ODP (Ozone Depletion Potential, i.e. the potential depletion of the ozone layer in the atmosphere caused by CO₂ emissions in the air, expressed in terms of R11 equivalent, a gas with an ODP of 1) and GWP (Global Warming Potential, i.e. the contribution to the greenhouse effect caused by refrigerant gases released in the atmosphere, expressed in terms of CO₂ equivalent).

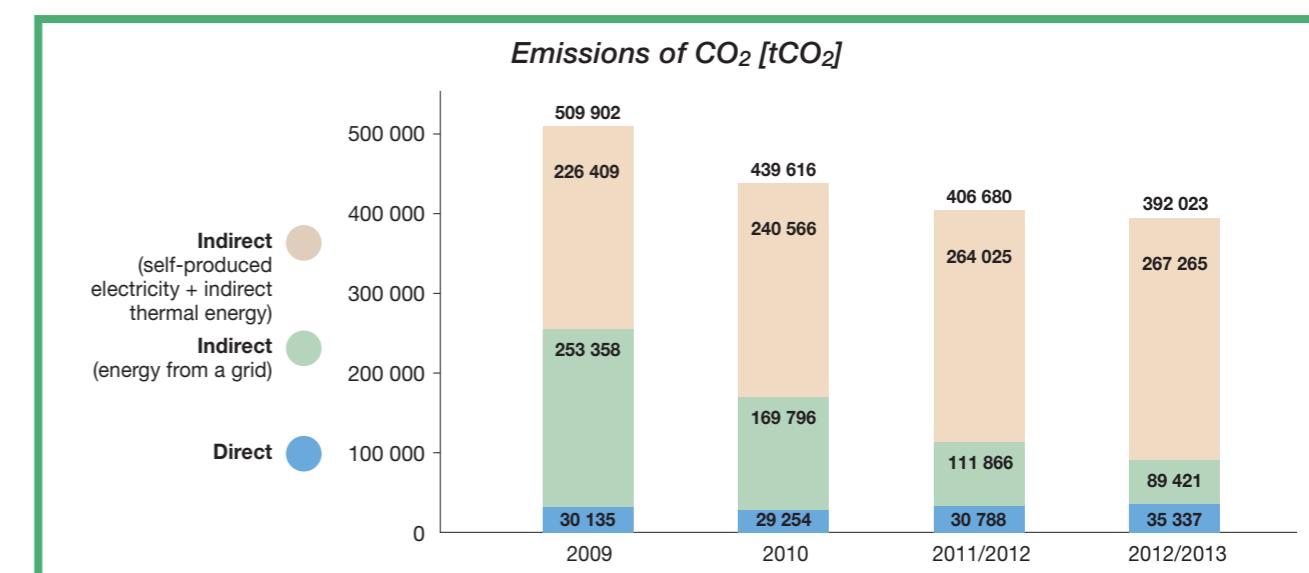
The application of the principles of prevention at source and good management continues thanks to the use of the most suitable abatement



technologies, such as filters, cyclones or wet "scrubbers", to contain the emissions (which are mainly food dust and volatile organic compounds).

Total emissions from production activities

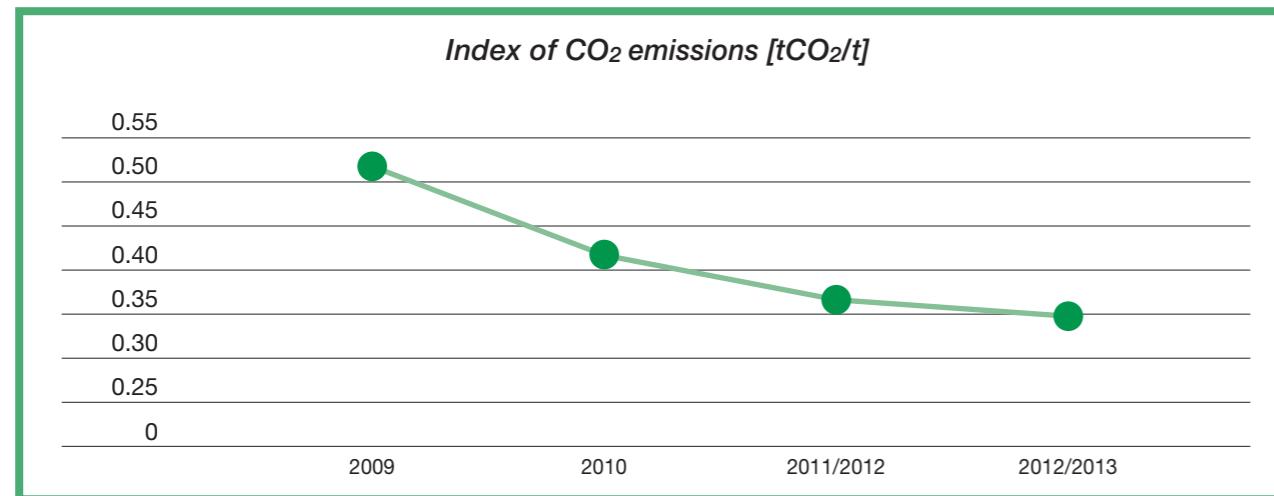
The chart below illustrates the total annual emissions from the Ferrero Group's production activities:



Note: CO₂ emissions related to the electricity purchased from the grid in 2009 and 2010 have been recalculated on the basis of the new emission coefficients published by the IEA (2012).

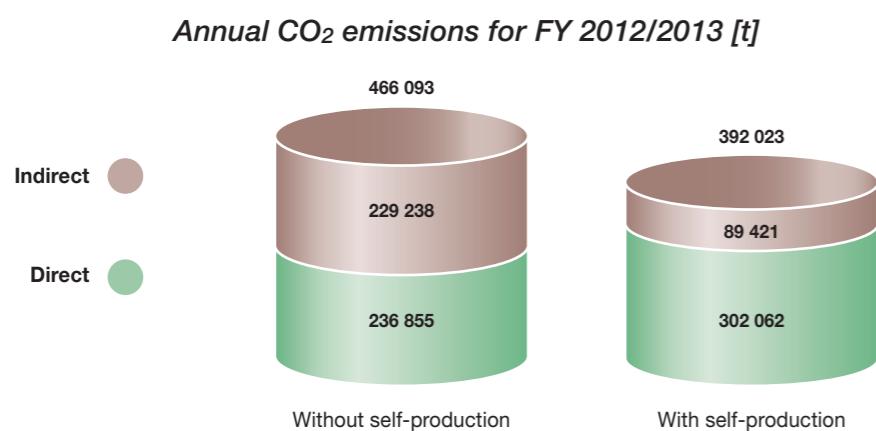
The reduction in the CO₂ emission, expressed as an absolute value, is even more significant when taking into account the constantly increasing annual production volumes. The emissions index for each unity of product coming from production activities namely saw a decrease of more than 32% since 2009.

¹⁰ Cyclones are extraction systems with no moving parts, in which the effluents move through a spiral path. The particles stick to the walls due to centrifugal force and eventually fall due to gravity. Wet scrubbers "wash" the effluents with nebulized water or water-based solutions which remove impurities.



The decrease in CO₂ emissions since 2009 (more than 489 000 t) is equal to the total emissions of about 243 000 mid-sized cars.

Moreover, the following chart shows the decrease of direct and indirect CO₂ emissions related to self-production (-15.9%) in a high efficiency co-generative asset.



Biodiversity

It is worth pointing out that, on the basis of an in-house analysis, the twenty Ferrero production sites are not located on protected areas or high biodiversity areas, and they have no significant environmental impact on said zones. There are only two cases of protected areas adjacent (i.e. less than three kilometres away) to Ferrero production sites; however, Ferrero's activities do not appear to have any significant impact upon them. These areas are "Boucles de la Seine Normande Regional Nature Park" in France and the "Brant Conservation Authority Area" in Canada.

* The analysis includes the twenty Ferrero production sites active as of 31 August 2013. The analysis, carried out in early 2012, has been updated with the inclusion of the new production sites in Mexico and Turkey.

How Ferrero designs its infrastructures and machinery

As was already anticipated in the previous CSR Report, the following initiatives have been carried out:

- implementation of a “digital tool” for the evaluation of the environmental performance of the machinery in their project phase, with the possibility to research and explore optimising alternative configurations;
- use of analytical tools and simulation software to optimize the size of the actuators and the transformations of energy (by designing a new electric system for machines, engines, control systems and operation);
- technical/technological studies aimed at minimizing waste production from machinery operations (process waste);
- systematic use of high efficiency electric engines, both in revamping and new lines,

The Group confirms its commitment in the following fields

- attainment of European Environmental Valuation certifications (according to local standards, such as the Protocollo ITACA in Italy) for the new office premises of significant importance, designed in-house;
- updating the sustainability module in the Capitolato Tecnico Generale Ferrero, in order to implement the technical requisites needed to keep pace with the most restrictive international standards;
- reduction of all the environmental impacts of the industrial activities of the Group, with clearly visible benefits thanks to the current parameters for performance evaluation, as explained in the paragraph “**environmental performance of production sites**”;
- extension of the system which gathers and measures data about energy consumption for the existing machines and plants, aimed at confirming and specifying their estimated value compared to new machinery and at advising further improvements to the existing plants.

Ferrero packaging

The packaging consumption trend from 2009 to this reporting year highlights how the application of the Ferrero 5R¹¹ strategy (Removal, Reduction, Recyclability, Reuse and Renewability) in the development/design phases has allowed the Group to limit the increase of packaging in despite of the growing production volumes. In fact, with only four of the main projects published in the previous reports, the Ferrero Group has spared about **9 000 metric tons** of fossil fuel material¹².



The financial year 2012/2013 also saw several new initiatives in 5Rs field, like the optimization and unification of the lids on T400 and T750¹³ Nutella® jars, distributed globally, which lead to a reduction in the use of polypropylene amounting to over **500 t/year**¹⁴.

Next to reductions at the source, the Group's commitment in following this strategy is also evident in the successful target of using 10% more recycled materials, as described in the first CSR Report; in FY 2012/2013, the percentage of recycled materials totals about 36% of the weight¹⁵, with a 10.4% increase over 2009. The use of these materials will be constantly

¹¹ Removal: decrease in the number of packaging elements. Reduction: reduction in the use of materials, through downsizing, reduction of excess material and design optimization. Recyclability: the use of recycled materials (or highly recoverable materials at the end of their life cycle) whenever technically and qualitatively possible. Reuse: development and implementation of solutions that can assume other functions or be reintroduced in the production cycle. Renewability: the use of materials from renewable sources (possibly avoiding sources from the food processing chain).

¹² This value is an estimate calculated on annual budget volumes, starting from the year of approval of each action, and it refers to the projects for the reduction of the T16 of Rocher® boxes, the reduction in weight of the wrapping of the Rocher® praline, of the Tic Tac® T1 and T100 plastic boxes and of the unified and lowered Nutella® lids T400 and T750.

¹³ These are the jars containing 300g to 800g of product. The indicated value is an estimate calculated on the annual budget volumes.

¹⁴ The mentioned value is an estimation calculated on budgetary annual volumes.

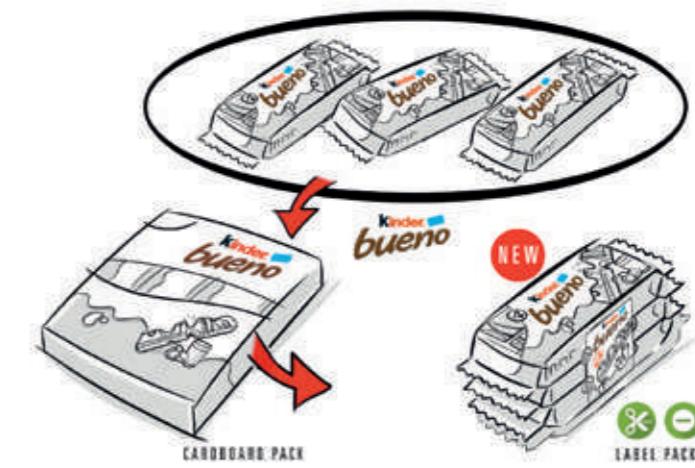
¹⁵ This percentage represents an estimate of the content of recycled material over the total packaging used by the Group. For paper and cardboard, the data stem from a calculation based on the composition of the purchased materials, while the data for glass and aluminium come from enquiries carried out with suppliers', and reflects the difference in the local production sites of each material; therefore it is strictly related to the efficiency of the collection and recycling in each of the packaging materials' country of origin.

applied wherever technically possible, without affecting the quality and safety of the packaged product.

In the main European manufacturing sites, the Ferrero Group has activated a project called **SPE** (*Scraps Packaging Evolution*), aimed at developing the feasibility studies for the valorisation of discarded packaging in Ferrero production plants. The goal is substituting virgin materials in the Ferrero packaging and equipment with the highest possible amount of recycled material, in synergy with both Group suppliers and with the main consortiums for waste collection and recycling, with a perspective of shared responsibility.

Ferrero products use several categories of materials¹⁶ such as glass, paper, corrugated and solid cardboard, rigid plastic, plastic film, wood and aluminium. In FY 2012/2013, glass is still traditionally the main component (nearly 150 000 t), followed by cellulose-based materials (paper and cardboard), amounting to 130 000 tons. The Group set itself a challenging target for 2014 on one of its more widely used material: when recycled material cannot be used for technical, quality or safety issues (for example when the pack is a direct contact with food product) the Group will only use virgin paper from sustainable certified sources¹⁷.

As more than 80% of the environmental impact of a product is determined during its design phase¹⁸, the Ferrero Group created advanced courses and sharing activities for the designers: general meetings and specific interventions on particularly interesting and/or hazardous environmental issues, backed by a constant support for the evaluation of the possible environmental impacts of the designed packaging, namely through eco-design tools.



¹⁶ The list is in decreasing weight order over the total.

¹⁷ 'Sustainable certified supply chains' are supply chains which guarantee controlled origin and a responsible management according to internationally recognized standards.

¹⁸ Source: European Commission (http://ec.europa.eu/energy/efficiency/ecodesign/eco_design_en.htm).

Finding the right compromise between food protection, food safety and environmental respect is a daily commitment for the Group, which translates into the development of packaging which ensures organoleptic quality and safety, preventing deterioration and **limiting** the environmental and social impact of **food waste**.

Furthermore, Ferrero is working towards a reduction of packaging materials from fossil fuels, in line with the target of using materials from renewable sources by 2020 (+10% compared to 2009). Several studies on the use of renewable materials (e.g. bio plastics) or on the substitution of plastic with paper-based materials are being carried out. At the same time, the Group participates in several Italian and European projects (Biopack, Namatech, Ecofood and Ecopaper) aimed at developing and evaluating new materials from biomass and at improving the properties of existing biopolymers, with a view towards large-scale utilization.

Ferrero's packaging has always been created with the utmost attention to their primary function of guaranteeing freshness and taste; therefore, Ferrero's motto is "**The packaging is the dose**"¹⁹, meaning it is a critical ingredient of the product. This philosophy must however be harmonized with the awareness that packaging is also created in view of its other functional roles: easing transportation, protecting the product, displaying the product in the points of sale, conveying info on the product itself and communicating the brand values to the consumer. Taking into account its informative and communicative role towards the consumer, and with the goal of actively contributing to the diffusion of a culture of environmental sustainability, Ferrero has developed an "end use" label to help the consumer identify the individual packaging materials, allowing for its correct separate disposal. This label complies with the identification system for packaging materials defined by the European Commission on January 28th 1997, now widely used also in the main extra-European countries.

In 2013, the brand Estathè was the first Ferrero product to adopt the Ferrero "end use" label, in line with the stated goal.

The next step will be the "end use" label on Nutella® in Europe.



¹⁹ 'Dose' defines the total of the ingredients in the final product, with all its specificities and organoleptic characteristics.

The (EU) 1169/2011 norm on labelling food products has slowed down the implementation of the "end use" label on other Ferrero products. The norm defines the minimum font size for easily readable info labels. The Group, therefore, started a study to verify the available space for the correct inclusion "end-use" labels on the packaging.

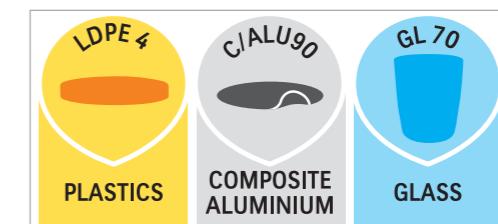
The project was born in parallel to Ferrero's participation to the creation of a guide on voluntary environmental labelling, which supports the citizens' effort for separate waste collection, as described by the Prevention Group of the National Packaging Consortium (CONAI).

The "end use" label

Ferrero's "end use" labelling strategy identifies the packaging elements that the consumer can separate, with the indication of the packaging material and of its material category. It pairs technical definitions (e.g. PP, PET) with commonly used terms (e.g. plastic, paper) and, when possible, uses colours to identify each packaging category: paper (green), plastic (yellow), glass (blue), metals (red), composite materials* (grey). 'Separable elements' are the parts of the packaging that can be separated manually and then disposed of in different waste collectors.

Information about packaging materials will allow the consumer to correctly manage their disposal according to the local garbage disposal system, which may vary even within the same country (metals, for example, might be collected either with plastic or with paper).

Example on a Nutella® glass jar



The label will indicate the different elements for separate waste collection: the lid, the inner seal and the jar. The adhesive label itself is not represented, as it is glued to the glass.

An interesting point: the inner seal, made of paper/aluminium, will be labelled as a "composite", in order to invite the consumer to take more care in its disposal, by looking for information on his local disposal possibilities. Although composite materials can rarely be recycled, they can often be recovered (e.g. for energy) and can be sent for waste disposal**.

* 'Composites' are made up of two or more materials from different categories; only the weight of the main material is indicated.

** Where allowed by the local system.

Towards an integrated and eco-sustainable logistics chain

A 'green' management of transports and warehousing has always been a priority for Ferrero. The Group has developed several programmes for the optimization of the supply chain, with a particular attention on environmental sustainability.

These activities take place through projects and available means for action. Following is a brief list of some of the main projects carried out in the past five years.

Reduction of the total kilometres travelled by Ferrero products and, contextually, increased of saturation of the transportation fleet.

European-based transport through Germany, Belgium and United Kingdom with the 2WIN Double Deck truck allowed for a 37% increase in full-load transport, which, combined with a coordinated management of return trips (which can considerably reduce the number of empty trucks on the road), lead to a 33% reduction in CO₂ emissions.

The first phase of the optimization of the European networks (transport and warehousing) reduced the mileage between production sites and warehouses in Poland, France, Germany and southern Europe.

In a second phase, the Group is planning a 12% reduction of the volumes per km travelled by Ferrero's primary transport, compared to FY 2012/2013.



Identification of alternative means of transportation with lower environmental impact.

In order to limit the consequences of road transport, Ferrero has, over the years, constantly increased the percentage of vehicles with Euro5 (or more recent) engines in France, Benelux, Italy and, since June 2012, in the United Kingdom.

New initiatives are being implemented to promote alternative engines. In the United Kingdom, for example, the Group is assessing the benefits of the use of hybrid trucks (diesel / bio-gas).



In the same way, Ferrero switched from exclusive air transport to intermodal air/ship transport from China to Europe for some of the Kinder line toys.

Development of energy saving initiatives in directly managed warehouses

The substitution of the old lighting systems with energy-efficient lighting is expected to lead to a 68% reduction in electricity consumption in China and a 20% reduction in France.

In Germany, Ferrero experienced significant reductions by substituting the cooling systems in several warehouses and installing fast rolling doors which separate areas with different temperatures.

Objectives for 2020

The current goals of the Group are as follows:

30% reduction of greenhouse gases (t_{eq}CO₂/t) in transport and warehousing.

Ferrero estimated total emissions from transport and warehousing to be roughly 302 000 t_{eq} CO₂ in FY 2012/2013. Despite increasing their absolute value over the previous year, emissions decreased by 10% per ton sold compared to 2009, thanks to the actions taken to reductions in the environmental impact.

ISO 14001 Certification for all directly managed storage facilities.

Since 2009, about 50% of the storage facilities are ISO 14001 certified.

Use of directly managed ingoing and outgoing intermodal transport from Ferrero production plants.

This target concerns the reduction of greenhouse gases, therefore it is already included in the target of greenhouse gases in the supply chain, and will no longer be mentioned as a target to reach.

Implementation of a global action plan, compatible to the local context, for energy management in directly managed warehouses, including existing and future sites.

As this target is part of a more general target about self-produced energy, the related information will no longer appear in the supply chain section.

Moreover, the goal of improving the company's commitment to sustainability in the next years lead the Ferrero Group to start a project called **LODICO** (**L**OGistics **D**ata **I**mprovement **C**ollection), which improves data gathering in terms of quality and correct representation.

Employee business trips

With reference to the emissions from the business trips of Group employees, Ferrero continued its internal inquiry, widening its boundaries in order to understand the environmental impact in terms of CO₂ emissions (in metric tons).

For the financial year 2012/2013, Ferrero analysed the train and plane journeys taken by employees from France, Germany, Italy and Luxembourg (about 56% of the Group's employees).

The emission factors used for the estimate have been supplied by the travel agencies that co-operate with the Group; when not available, Ferrero used the emission factors of the GHG Protocol²⁰ that, related to plane journeys, considers different coefficients depending on the length of the trip and the travel class.

For the current reporting year, the total emissions are estimated at 13 482.26 t_{eq} CO₂, of which 234.13 t_{eq} CO₂ originate from train journeys and 13 248.13 t_{eq} CO₂ from plane journeys.

Train journeys		
Countries	Total number of journeys	Total CO ₂ (t _{eq})
France		
Germany*	5 433	234.13
Italy		
Luxembourg		

* Data from the single company Ferrero O.H.G.m.b.H.

Airplane journeys		
Countries	Total number of journeys	Total CO ₂ (t _{eq})
France		
Germany	32 802	13 248.13
Italy		
Luxembourg*		

* Data from the two companies Ferrero International S.A. and Ferrero Trading Lux. S.A.



²⁰ The CO₂ emissions related to Ferrero employee business trips in Italy and to the train journeys of the company Ferrero O.H.G.m.b.H. in Germany and of the companies Ferrero Industrial Services G.E.I.E, Ferrero International S.A., Ferrero Trading Lux. S.A., FSC Luxembourg S.A., Magic Production Group (M.P.G.) S.A. and Soremartec S.A in Luxembourg were estimated on the basis of the emission factors of the GHG Protocol Tool for mobile combustion, version 2.4.

Focus on Kinder® Chocolate



Focus on Kinder® Chocolate

For more than 45 years, Kinder® chocolate has been loved by children and trusted by parents

Created in 1968, Kinder® Chocolate originated from a desire to offer children a chocolate that is specially made for them. Rich in milk, unique flavour and creamy texture, Kinder® Chocolate very quickly became a favourite of children... and their parents.

It all comes down to its inimitable recipe, which has remained a secret and unchanged since the first bar. For over 45 years, it has brought joy to children under the caring eyes of their parents.

Kinder® Chocolate is, still today, a chocolate that stands out for its high quality:

- top in class for its dairy ingredients – 33% dairy product in the recipe;
- top in class for taste – Kinder® Chocolate is really appreciated by kids and their parents worldwide.

In many countries across all continents, Kinder Chocolate has obtained an overall liking score during blind taste tests higher than 4.0 on a 5 points scale¹.

Also, in terms of overall image, Kinder® Chocolate has a stronger level of appreciation compared to the competitive reference frame², within core countries³, on the following queried items “is something that I/my child really loved” and “Is very delicious” both for total samples and mothers⁴;

- top in class for sustainable sourcing – continuously building a pro-active and comprehensive policy to use ingredients that are more respectful towards people and the environment, with a relentless view towards best practice.



Kinder® Chocolate can be found on every continent, in more than 75 countries across the globe, wherever temperatures and logistics allow for the distribution of Kinder® products to consumers under the best possible quality conditions.

Kinder® Chocolate and its 3 Founding Principles for production

Three key founding principles guide the Kinder® Chocolate production process. The principles cover quality and responsibility, ensuring that Kinder stands by its fundamental commitment: to always meet the expectations of its consumers, young and old.

A. Kinder carefully selects its ingredients, while respecting people and the environment

Kinder® Chocolate is made using carefully selected raw materials. Kinder's standards are stringent, guaranteeing high quality and also supporting the Ferrero Group's policy for good agricultural practices.

The cocoa used to produce Kinder® Chocolate is carefully sourced from West Africa (primarily Ivory Coast, Ghana and Nigeria) and Ecuador.

¹ 5 = like it very much and 1 = do not like it at all; *countries: I/F/G/China/RSA/Bra/USA.

² Chocolate Sweet in Between products.

³ Italy, France and Germany.

⁴ S&E study 2013 - Italy, France and Germany.

Around 30 quality criteria are applied when selecting cocoa beans before they are sent to Ferrero production sites based in Italy and Germany.

For the site in Russia, suppliers are also required to follow extremely stringent criteria.

*Third-party sustainability certifications
for Ferrero's cocoa procurement*



UTZ Certified objectives include:

- safe and healthy working conditions;
- responsible use of pesticides and fertilizers;
- good agricultural practices and farming management;
- better opportunities for education;
- ensuring that the certified cocoa we source effectively derives from responsible farms.



Rainforest Alliance Certified™ farms support a healthy environment, promote the well-being of workers and their communities and ensure efficient farming methods.

Farm workers benefit from safe working conditions, enjoy dignified housing and medical care, and access to schools for their children. Certification ensures the protection of ecosystems, including wildlife habitat, water and soil.



The **Fairtrade** Cocoa Program enables small-scale farmers to benefit by selling more of their cocoa as Fairtrade.

With the Fairtrade Sourcing Program, Ferrero has committed to buying 20,000 tons of cocoa in 3 years on Fairtrade terms, starting this reporting year. As of August, 2013, 500 metric tons of cocoa were already purchased.

As part of the Ferrero Group's commitment, 25% of cocoa is certified as sustainable, with the objective of reaching 100% by 2020. Similarly, palm fruit oil, which is extracted from the pulp of the palm fruit, will be 100% RSPO-certified sustainable and segregated, by the end of 2014. The sugar is 100% GMO-free.

An International Multi Stakeholder Roundtable...

...which includes palm oil growers, processors and traders, environmental NGOs (such as WWF) and almost 160 consumer goods manufacturers.

Mission:

to make sustainable palm oil the norm.

Main Objectives

- the commitment to transparency;
- environmental responsibility;
- responsible consideration for employees and communities.

RSPO

Roundtable on Sustainable Palm Oil

To read more about the Ferrero Group's sustainable procurement programmes, see below to find the dedicated sections in this report:



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Milk, a key ingredient in the Kinder® Chocolate recipe, is also carefully sourced from a limited number of dairy partners based mostly in Germany, Italy and France. The Group has been cooperating with the majority of them for many years now. They are regularly monitored to ensure they meet the Group's strict requirements covering the safety, taste and freshness of the milk.

Thanks to these mutual collaborations with milk suppliers, Kinder is able to guarantee a much greater quality and transparency of the product's milk, while continuously work to push standards towards best supply chain practices.



Focus on:

- The milk used to produce Kinder® Chocolate at the German Stadtallendorf factory is sourced from 5 suppliers based in Germany, representing more than 70%, and from 4 suppliers based in EU-15⁵.
- In the Alba factory, more than 50% of the milk used for Kinder® Chocolate comes from Inalpi and is sourced from Italy. The rest comes from 4 suppliers based in EU-15.

B. Produce consistent quality

Producing a consistently unique and unrivalled taste also involves making sure that Kinder uses precise manufacturing processes, every day, at every production site.

This begins by roasting the cocoa beans, a delicate operation that determines the aromatic intensity of the finished product.

This is why, the cocoa beans intended for the production of Kinder® Chocolate are delivered whole to only 2 Ferrero plants in Europe and are roasted there on-site.

Specific expertise is also required for the small amounts of chocolate purchased externally, the partner being bound by clear, strict specifications.



⁵ The EU-15 comprise the following 15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

Focus on:

- In 2012/2013, Kinder® Chocolate has been produced with 83% of cocoa beans roasted by Ferrero in Alba, Italy, or Stadtallendorf, Germany. The remaining 17% refers to the chocolate purchased externally.

Kinder® Chocolate milk is also produced with the greatest of care:

- the milk is collected directly from dairy partners, which have been selected according to Ferrero's stringent standards, to simultaneously guarantee safety, freshness and taste;
- liquid milk is pasteurized within 24 hours or dried within 48 hours from the collection and then delivered to the Ferrero plants;
- in addition to the controls carried out with each of the dairy partners, every milk delivery undergoes 4 types of analyses: visual, physicochemical, microbiological and sensory;
- furthermore, the defined use-by date for the powdered milk is shorter than the standards set by other producers at international level.



A “culture of tasting” has developed within each of the production sites. This includes a panel of experts who taste the raw materials upon their delivery. Similarly, semi-finished and finished goods are tasted every 2 hours on the production lines.

Finally, freshness remains a constant priority. Kinder pays close attention to this aspect, notably by sending out a special team tasked with carrying out store checks of Kinder® Chocolate available in shops. With the product being sensitive to heat, in order to ensure maximum freshness to the consumer, monthly sales are carefully planned in order to reduce the sell-out during the summer period in all point of sales where the temperature is not controlled.

C. Encourage responsible consumption



Since its beginnings, Kinder® Chocolate has been produced in individual portions, ideal for parents wanting to add a few tasty treats into a varied diet. Clear and visible nutritional information is available on the wrappings, in compliance with local regulations.

To find out more about Ferrero's commitment to nutritional information, see the "Our Products" chapter of this report.

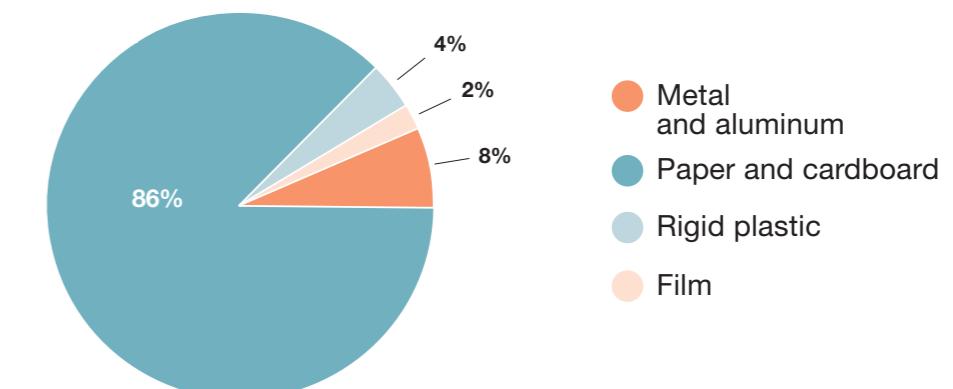
The advertising and marketing around Kinder® Chocolate also abides by the self-regulation rules established for the entire range of Ferrero products as outlined in the above mentioned chapter of this report.

Reducing the environmental footprint

Two of the three factories producing Kinder® Chocolate - Alba in Italy and Stadtallendorf in Germany - are ISO 14001 certified for their environmental management system.

The factory in Vladimir, Russia, will be certified by 2015.

Packaging of Kinder® Chocolate worldwide in 2012/2013*



*% split in weight of materials used.

Designed to retain the quality and freshness of the product, Kinder® Chocolate wrappers vary depending on the type of product and destination country, however it is always primarily made up of paper and cardboard.



To avoid contaminant migration, only virgin raw materials are used for the wrappers in direct contact with the product. But it doesn't stop there. Kinder made the decision that, by 2014, it will use paper only sourced from sustainable certified chains.

Finally, a pilot project is currently being launched to assess renewable materials that could be used for so-called "secondary" wrappings, meaning those that do not come into direct contact with the products.

Traceability and safety of Kinder® Chocolate

Ferrero defines and applies to Kinder® Chocolate, as it does for all its products, stringent criteria on traceability, security and quality.

All Ferrero plants that produce Kinder® Chocolate have been certified, based on quality aspects, by independent, third parties, according to standards on food safety management systems, which are recognized at an international level (for more information please consult the chapter "Our Products", in the section dedicated to "Quality and freshness", of the current CSR report).

During the FY 2012/2013, in the production of Kinder® Chocolate, there were:

- 42,225 checks⁶ on the raw materials and 31,845 on the semi-finished products (milk chocolate and filled Kinder);
- 2,492 checks⁷ on the primary packaging, in addition to the checks carried out on the secondary packaging;
- 2,458,179 checks on the finished products, which include the checks carried out on the production line (weight, composition, aesthetic defectiveness) and in the laboratories, relative to the chemical-physical and microbiological parameters.

To ensure that Kinder® Chocolate conforms to Ferrero's high taste standards, in addition to laboratory tests, a sensorial test is carried out, known as a "taste tests", in order to judge the final taste of the product, in all aspects and the aesthetic appearance and its presentation.

In FY 2012/2013, the tasting sessions carried out globally on Kinder® Chocolate totaled to more than 12,000 (4,180 for each production plant), therefore more than 50 sessions a day.

In the same period, the number of complaints received based on the box of 4 bars (T4) corresponds to 0.66 for every million boxes produced. Whilst the number of complaints based on the box of 8 bars (T8) corresponds to 1.04 for every million boxes produced.



⁶ The data includes chemical, physical-chemical and microbiological controls.

⁷ The data includes organoleptic and defectiveness controls.

Focus on Ferrero in Canada



Focus on Ferrero in Canada

Ferrero Canada Ltd. was established in 1974 in Toronto, where the commercial division headquarters remain today. Over the years, Ferrero Canada has launched numerous, beloved brands which have become household staples: Nutella®, Ferrero Rocher®, Ferrero Collection®, Raffaello®, Tic Tac®, Kinder® Cioccolato, Kinder® Sorpresa e Kinder® Bueno.

In Canada, Ferrero has grown progressively to become the 5th largest confectioner in Canada¹, with a turnover in FY 2012/2013 of **492 Mln of Canadian dollars (372 million euros)**, with a focused portfolio of leading Ferrero brands, all of which have established themselves as leaders in the respective categories. Ferrero Canada operates in a complex, multi-channel trade environment in an ethnically diverse and sophisticated country.

As of 31 August 2013, Ferrero Canada had a total of 1,320 employees and external collaborators² (691 located at the commercial division of Toronto and 629 located at the Brantford plant).

The Company is without a doubt one of the most multi-cultural Ferrero companies in the world, as evidenced by the number of nationalities (44) and number of languages spoken (more than 30) by employees in both divisions.

Operating principles

In line with the Group, Ferrero Canada works with an inspiring set of operating principles. Their employees embrace them, creating a strong positive culture:

1. **Product.** Ferrero is uncompromising in its respect for the consumer. It takes artisanal care with its products. Its behavior epitomizes a total dedication to freshness and quality to ensure a consistently premium consumer experience. Its marketing reflects high ethical standards inspired by promotion of balanced healthy lifestyles.
2. **People.** Trust, transparency, respect and loyalty are hallmarks of relations between the Company, employees, customers and consumers. All collaborators provide support to each other. All celebrate individual and team accomplishments. All care about their communities and work environment. All believe that by working together they will achieve success.
3. **Professionalism.** Ferrero Canada sets high standards for employees and takes ownership and pride in everything they do. Employees are

¹ Source: AC Nielsen Market Track, including Sugar Confectionery (considering 52 weeks ending 11 January 2014), Chocolate (considering 52 weeks ending 5 April 2014), Spreads market (considering 52 weeks ending 5 April 2014), all channels.

² The data includes temporary workers, internships and other direct collaborations, excluding service contracts.

committed to leadership and delighting the consumer. Challenging objectives inspire all employees; they strive for professional mastery.

4. **Progress.** Innovation and creativity are at the heart of Ferrero Canada's success. The Company challenges itself to create new markets, invent new solutions and unlock growth. It seeks big ideas focusing on breakthrough and continual improvement.
5. **Passion.** Ferrero Canada is focused and committed to brand success, consumer satisfaction and working as a team. Enthusiasm and energy drive success.

Ferrero Toronto: the commercial division

Diverse, dynamic and international best describes the environment in which Ferrero Canada Ltd. will celebrate its 40th anniversary in 2014. Ferrero Canada's Commercial operation has undergone an evolution over the last two decades, from "distributor" to "marketeer": from a focus on building distribution to creating an integrated sales and marketing organization with the appropriate support functions.

In the early '70s, Canada had been importing Tic Tac® and Nutella® from Alba for resale by distributors into conventional channels of trade. Under the management of Ferrero Canada Ltd., the Company pursued a strategy of progressive development for these brands and then expanded Ferrero Rocher® in the early '80s with great success. This brand's unique breakthrough positioning as a premium mass market praline firmly established the image of Ferrero as a quality, upscale and innovative confectioner. In the early '90s, the Canadian Company re-launched Kinder® Surprise, increased marketing investment across existing brands and evolved the sales structure progressively to a mixed model of broker sales representatives and Ferrero sales people.



Ferrero Brantford: the industrial division

Ferrero Canada's Industrial Division is fully committed to producing the high-quality, added-value confections demanded by the Group.

Towards this end, it:

- invests in the development of all employees in recognition that individuals are Ferrero's most valued asset;
- seeks continuous quality improvements;
- complies with the requirements of Good Manufacturing Practices and the HACCP rules;
- establishes the highest quality standards to meet the Group's exceptionally strict quality guidelines, from raw ingredients through finished production;
- invests in the development of technology and machinery for continuous improvement, higher flexibility to meet changing market demands, and ongoing advancement in the confectionery sector;
- ensures a secure work environment and safe workplace for all its employees.

The Industrial Division is also committed to positively impacting the communities it lives in and serves by promoting jobs for local tradesmen and businesses. Doing so creates a sustainable local business environment.



The plant

Approximately 70 miles or 112 kilometers due west of the famous Niagara Falls is the location for one of the Ferrero Group's most recent and modern factories—Brantford, Ontario.

The multi-level, 89,000 square meters facility (not including a stand-alone warehouse) sits on 66 hectares of land. It is conveniently located to major highways for easy transportation access. Construction of this state-of-the-art plant began in October 2004 with start-up in Spring 2006.

Brantford was chosen for numerous reasons:

- excellent location close to major Canadian and U.S. markets;
- favorable logistics infrastructure;
- availability of serviced industrial land;
- availability of a strong talent pool and of managerial and skilled staff;
- positive, cooperative, pro-business provincial and city staff that greatly facilitated the development and approval processes.

The placement of the Ferrero plant in Brantford had a significant positive impact on employment in the area.

Since operations began in 2006, the plant has enjoyed steady, annual growth in volumes produced. Nutella® is the largest product in terms of volume, followed by Ferrero Rocher® and Tic Tac®.



John Frabotta,
Director Economic
Development &
Tourism,
City of Brantford

"The opening of Ferrero Canada Ltd.'s state-of-the-art food manufacturing facility in Brantford in 2006 has provided an ongoing positive economic impact for the community. In that brief time, the company has completed multiple expansions to their manufacturing operations and added warehousing and distribution. Their presence in the city has been a catalyst in attracting several other advanced manufacturing foreign direct investments...Combined together, Ferrero and its suppliers have helped define Brantford as a significant food processing cluster by the Province of Ontario".

Besides supplying Canada, Brantford exports mainly to the U.S.A. and Mexico and a small quantity to Australia and other markets.

The packaging material used in Canada include: plastic, cardboard, film and aluminum (in order of weight). The plastic materials are used mainly for Nutella® production—jars and caps. The new cap design of Nutella® has been also adopted in Brantford with a material savings of 74 metric tons.³

³ The project for the optimization and unification of the lids on T400 and T750 Nutella® jars (containing from 300g to 800g of product), distributed globally, has led to a reduction in the use of polypropylene amounting to over 500 t/year. This value is an estimate calculated on annual budget volumes.



Environmental management

From inception, the Ferrero Group intended to build a state-of-the-art plant in Brantford from both an environmental and production perspective in order to minimize its impact and maximize the efficiency under environmental frames, while creating value for Ferrero customers and partners.

In 2013, the plant was renovated to accommodate an innovative, high energy-efficient, co-generation capability. Called Quattro Gen, the plant can produce electricity onsite to power its own energy, supplying the plant with electricity, steam, hot and chilled water. This technology was chosen due to the plant's specific loads for electricity, steam, hot and chilled water. Quattro Gen allows for a high efficiency facility to displace current and future plant loads and improve productivity, plant reliability and energy efficiency. It also produces the heat needs for the plant and warehouse.

Since its inception in 2006, the plant has made numerous investments to improve its energy efficiency:

1. implementation of energy measurement systems necessary for future improvements;
2. installation of an automatic system for the control of the HVAC's free cooling;
3. installation of an automatic system to control the inverters (VFDs) installed on all glycol and water distribution pumps and to all the fans of the HVAC's;
4. installation of an automatic system to ensure the shutdown of lights on weekends;



5. replacement of all the metal halide lamps with high efficiency fluorescent T5 bulbs (resulting in the elimination of mercury disposal);
6. reduction in operating pressure of air compressors and the installation of automatic management thresholds for the various compressors;
7. replacement of the hydraulic injection mould machine with new electric high efficiency injection mould machine.

Dave Levac,
MPP Brant

"Ferrero Canada has been a huge impact in Brantford. From concern about their environmental footprint, quality control, food safety, increased employment, economic development and employees giving, Ferrero Canada is a shining light here in Ontario. I look forward to continued responsible success in the future."

Since January 2014, Brantford continues to promote energy savings through the "Energy Team", whose focus is presently on:

1. analysis of electricity base loads, with particular attention to weekend shut-downs and the continuous monitoring of consumption;
2. waste reduction of compressed air through weekly monitoring of assembly line shutdowns;
3. reduction of weekend energy consumption through the automatic management of HVAC;
4. creation of energy conservation awareness to be communicated to all plant employees.

Separately, a "Green Roof" project is being investigated, which would cover the entire roof of the warehouse with high-efficiency photovoltaic panels.

Plant certifications

Certification	Status	Comment
ISO 9001:2008	Certified	Since 2011; part of Ferrero Group Certificate since 2012
HACCP by OMAFRA	Certified	Since 2008
ISO FSSC 22000	In process of certification	To be completed mid 2014; replaces HACCP
RSPO	Certified	Since December 2013
ISO 14001	In process of certification	To be completed end 2014

The Alliance Distribution Center

In support of the Ferrero Group's goal to bring high-quality fresh products to consumers in an environmentally-efficient manner and to reduce its carbon footprint through more efficient supply chain operations, Ferrero constructed a state-of-the-art warehouse/transportation/distribution center adjacent to the plant in Brantford, which became fully operational in the Spring of 2013.

In the last year, numerous upgrades have been made to this facility, contributing towards the achievement of Ferrero's sustainability goals:

1. Implementation of "Motion Sensors" for warehouse lighting and exchange of conventional material handling battery chargers to "Fast Charge."
 - The impact of this change is a reduction in energy consumption, as charging times have been reduced by approximately five hours, and the usage/consumption is 50% less than conventional batteries. The same process will be rolled out to eight other batteries in 2014.
2. With the completion of the Distribution Center in 2013, installation of a "Link Monorail" connecting the production plant to the distribution center.
 - This resulted in the movement of 59,000 pallets in the first five months of activity via monorail that would have been previously shunted via truck.

Today 90% of the packaging used in our plant (in terms of value) is sourced from North America and 71% is sourced from Canada (of them 93% from Ontario).

In FY 2012/2013, the number of local technical suppliers (based in North America) increased by 2% and now 74% of them are based in Ontario.

Hazelnut Business Development Project

Until recently, the Company has been sourcing its hazelnuts mainly from Italy and Turkey. To ensure sufficient and fresh supplies for future demand, Ferrero has identified other regions around the world where climactic conditions are favorable for growing hazelnuts.

On September 23, 2013, the Ferrero Group and the **Ontario Hazelnut Association** jointly signed a Memorandum of Understanding to facilitate development of large-scale hazelnut farming in Ontario. It is a multi-stakeholder endeavor designed to create a sustainable hazelnut farming business in the region, which will upon maturation of the plants, provide Ferrero Brantford with local sourcing of this important raw material for products such as Nutella®, as well as other manufacturers using hazelnuts.

Logistics

Transport and Logistics for Ferrero Canada poses a real challenge because of its size. Geographically Canada is the second largest country in the world, following Russia, and it encompasses over 3.58 million square miles. Given this, the core focus on Logistics sustainability efforts has been to increase the number of rail shipments in FY 2012/2013 increased by 3% versus FY 2011/2012 thereby realizing a marginal reduction of CO₂ emissions compared to road transport. The increase of rail shipment is now reaching 10% (period April '13-March '14 compared to previous year).

Sourcing

Ferrero Canada believes in creating a sustainable local business community and towards that goal, tries to source as much as possible from local suppliers.



Partners include: Ferrero Canada and the Group's Hazelnut Business Development division; Industry-farmers/growers, nurseries, aggregators; Academia-University of Guelph agricultural practitioners and researchers; Government: the Ontario Ministry of Agriculture and Rural Development amongst others.

Ferrero's involvement in this project consists of:

- transferring knowledge on innovative hazelnut farming practices;
- investing in selective farming and/or nursery production;
- providing training, research and extension services.

By 2023, the goal is to have planted 5,570,000 trees covering 22,280 acres, which should yield close to 11,000 metric tons of hazelnuts/year.

Ferrero Canada's social initiatives

Ferrero Canada is proud of the involvement that its employees have within their local communities and cares about the environment in which their employees and their families live and work.

Towards this end, the Company has created a sustainable community involvement programme, which has also become part of the company culture. The objective of this programme is to give employees the opportunity to give back to the community in a way that is aligned with Ferrero's values.

Numerous social responsibility programmes by Ferrero and/or its employees have been deployed in recent years, and they deserve mention:

Local food bank donation drive initiatives

In October 2012, the team in Toronto launched a two-week food drive in support of the local community food bank.

The approach was innovative, i.e., a competition was created with internal teams who battled to achieve the highest donation level. This strategy proved so successful - and appreciated - it was deployed in subsequent drives.

In May of 2013, the employees participated in an internal donations competition during Hunger Awareness Week.

The result of this friendly competition netted the local food bank, the North York Harvest, a windfall: over 350,000 pounds of food and \$3,400 in employee monetary donations. This donation was the largest single donation North York Harvest Food Bank has ever received.

The activity also included an Employee Volunteer Programme component, whereby a majority of employees volunteered to spend two hours working at the food bank, sorting and packing 6,000 pounds of food.

Tanya Thomas,
Development Associate
Funds and Food
North York
Harvest Food Bank

"...Because of your amazing contribution and excellent coordination, our clients will not have to skip meals to pay their monthly rent. From single parents to newcomers, from the recently unemployed to those living with disabilities, all community members will receive sustained food assistance, thanks to you."



Children's Miracle Network

Children's Miracle Network Hospitals® raises funds for 170 children's hospitals across North America, which, in turn, use the money where it's needed the most. The employees have supported CMN with annual donations through the "A Joy to Share" fundraising and promotional campaign. This support was amplified through communications on Kinder branded merchandising vehicles in retail stores. For the 2013 sponsorship, the Kinder team from Toronto volunteered their time to participate in the "Spook-tacular Annual SickKids Halloween Parade" where they handed out Kinder® Surprise toys to patients and their siblings who spent Halloween at the SickKids Hospital.

Reach For The Rainbow

For 12 years running, the Toronto office employees have sponsored "Reach for the Rainbow", an umbrella non-profit organization working for people with disabilities. Its programmes encourage environments for children and adults to live, play, work and inspire themselves alongside children and youth with disabilities, creating transformative experiences of belonging.

"Fill-A-Bag" Project

In December 2013, employees at the Brantford facility provided support to the Children's Aid Society of Brant's Child Development Unit (CDU) through the "Fill-A-Bag" project, which assists over 200 needy families with donated items. The plant employees also organized a fundraiser. Ferrero Brantford employees will continue to assist the CDU because it supports the goal "to build healthy communities where families can have a sense of belonging and pride."

Human resources

Ferrero Canada strongly believes in the importance of work-life balance, which hinges on two key concepts: achievement and enjoyment. The Company provides and supports an environment which allows its employees to take pride in their achievements with the satisfaction of knowing that they are rewarded both physically with competitive pay and benefits, but also emotionally with celebration of major achievements.

Demographics of Ferrero Canada Employees

At 31st August 2013 the ratio of women to men is 45% women and 55% men (inclusive of both the Commercial division and plant direct employees). The ages of Ferrero employees in Brantford and Toronto range from 18 to 66.

Compensation

Ferrero Canada is committed to providing a competitive total compensation package in the form of base pay, bonus incentive (salary employees), pension plan and a full comprehensive benefits package. Both divisions of the Company support their employees and their families by offering a variety of benefits such as health and dental, short and long-term disability, life insurance, accidental death and dismemberment. The cost of these benefits is 100% covered by the Company and at no cost to the employee.

Equal Rights and People with Disabilities

Ferrero Canada complies with all regulations pertaining to equal opportunities and people with different abilities, to provide for equal rights and opportunities without discrimination in the recruitment, employment, promotion and termination of employment of its employees. Ferrero Canada is committed to ensuring a discrimination-free workplace in compliance with The Human Rights Code and the Accessibility for Ontarian with Disabilities Act (the "AODA").

Health & Wellness

Ferrero Canada in Brantford offers numerous health & wellness services over and beyond traditional medical insurance. Between them, to mention some:

- vaccines offered annually to all employees;
- annual event that promotes health & wellness to all employees;
- early and safe return to work programme that encourages employees to return to work during the recovery from an injury or illness; assists with recovery, routine, wellbeing;
- annual health & safety overviews with all plant employees focusing on health & safety initiatives, e.g., emergency evacuation, near miss reporting, chemical management, etc.

In both locations, a **Joint Health & Safety Committee** includes representatives from the employee population and Management, which conducts monthly inspections focusing on hazards and preventative measures to prevent hazards and promotes a culture of health and safety.

Additional Company-Paid Benefits

Employee Assistance Programme (Brantford & Toronto)

Lifeworks through Ceridian is a 24 hours, seven days a week, 365 days a year service available to all Ferrero full-time employees that allows them accessibility to speak with an expert consultant or go online to access a full array of information and services through multiple media vehicles. Service is no charge and confidential. The programme helps employees deal with stress, relationship issues, parenting and childcare, needs of an older relative, health issues like losing weight or to stop smoking. It No issue is too big or too small for Lifeworks.

Ferrero Action Committee (Brantford)

A committee formed by employees who serve as a conduit to Management to table employee concerns and also to bring forward employee-generated ideas. The purpose is to improve communication between employees and Management to ensure safe and happy working conditions.

Take Our Kids to Work Day (Toronto & Brantford)

Take Our Kids to Work Day™ is "The Learning Partnership's" signature programme involving more than 250,000 Grade 9, Senior 1 (Manitoba) and Secondary III (Quebec) students and at least 75,000 businesses and organizations across Canada annually. Since 1994, on the first Wednesday of November every year, students spend the day in the workplace of a parent, relative or friend, which enable them to understand the importance of staying in school by learning first-hand what skills are required in today's workplace and develop an appreciation for their parents' careers and roles in supporting their families.

Ferrero Kids Scholarship Programme

The Ferrero Canada Scholarship Programme was established in 2009 for the children of Ferrero Canada employees in Brantford, both full time and contract, to encourage the child's educational growth through to college or university. Criteria and requirements to be considered for the scholarship include:

- the child must have completed, or be in the process of completing their high school education, or be enrolled in college or university;
- participants are required to submit an official transcript and a short essay describing what they hope to achieve by completing their education and how their education will help to achieve one of Ferrero's company principles, respect for the environment, or support and involvement in the local community.

A scholarship awards committee evaluates the submissions and selects the recipients.

Finally, for each 5th year anniversary of service at Brantford and Toronto, employees receive a commemorative certificate and a gift.

Focus on Ferrero in Russia



Focus on Ferrero in Russia

Ferrero has been present in the Russian market since 1995. Ferrero's products have quickly won popularity thanks to their quality, uniqueness and excellent taste characteristics. Over time, Ferrero Russia has transformed itself from a small representative office in Moscow into an important production and commercial enterprise which is engaged in the distribution of Ferrero products throughout the country. After around 20 years of sustainable growth, Ferrero Russia occupies the fourth position within the framework of the entire Group, with a turnover of **22.6 billion rubles (549.7 million euros)**.

As of 31 August 2013, the total number of employees and external collaborators of Ferrero Russia was 1,429 persons¹ (467 persons in the Business Unit and 962 persons in the Vladimir plant).

Currently, all the key products of Ferrero are sold in Russia, including Raffaello® and Ferrero Rocher®, Kinder® Chocolate, Kinder® Surprise, Kinder® Milk Slice, Kinder® Pingui, Kinder® Maxi King, Kinder® Bueno, Kinder® Chocolate Maxi, Kinder® Country, Kinder® Delice, Nutella® and Tic Tac®.



Ferrero Russia is one of the leading enterprises of Russia's confectionery market: according to the data available with AC Nielsen, in terms of the trading value in FY2012/2013, Ferrero has become **one of the top 5 players** of the Russian confectionery market; where its share is currently **15%**².

¹The data includes temporary workers and internships, excluding service contracts.

²Source: Nielsen Retail Audit, National Urban Russia, the survey includes the following market segments: Packed Pralines, Novelties, Bars, Tablets, Paste, Chilled Snacks, Refresh drops, Flour-based confectionery.

Investments in human capital, high quality of products, ongoing drive towards self-improvement and innovation, these are what make Ferrero Russia a successful enterprise, which can be justifiably proud of its consumer confidence and can uphold the reputation attributed to the Ferrero Group both in Russia and in the rest of the world.



The Vladimir plant

The decision to build a production unit in Russia, which was an important step for strategic development in the local market, was made in 2007. After thorough analysis and a survey on potential production areas in the Central Federal District (Central Russia), the company opted for Vorsha, a village in the Sobinsky district of the Vladimir region. Construction of the plant began in May 2008 and in November 2009, the first production line was launched.



In 2013 the Vladimir plant celebrated its 5th anniversary and was praised by regional authorities for the successful implementation of its investment project, as well as for its considerable contribution to the development of the regional economy and social field.



Ferrero is the largest investor in the Vladimir region, and the plant, with its four production lines in operation, is one of the most advanced and important in the area. Ferrero products marked "made in Vladimir" are distributed not only in the Russian Federation but also in Belarus, Kazakhstan and Ukraine. In this way, the company contributes to improving the economic indicators of the region, including the volume of production and exports.

Plant:

- 43.2 thousand m² of total area of the production site
- 179 SKU (Production & Co-Packing), among the most advanced production facilities of the Ferrero Group
- 4 production lines and an area of Co-Packing for manual packaging
- At peak production, up to 1,100 pallets of finished products per day are transferred from the plant to the warehouse

Warehouse:

- 36.4 thousand m² - total area
- 47,700 pallet positions
- Up to 90 loading and unloading operations a day, in high season

Certification of the plant

The Vladimir plant has obtained the following certifications:

- ISO 9001:2008 (Quality Management System) since 2013;
- FSSC 22000:2005 (Food Safety Management System) since 2013;
- "RSPO Supply Chain Certification" achieving "Segregated" level (SG) since 2013.



Minimizing the environmental impact

In line with Ferrero's policy, the Vladimir plant develops its production processes with high respect for the environment. Production is carried out with the best available technology, which helps to consume energy, materials and natural resources, in particular, water, in an efficient way thus preventing and reducing the environmental impact.

The Vladimir plant has already initiated preparation for obtaining the ISO 14001 certificate in 2015.

The principal efforts made by the Ferrero's production plant in Russia in FY 2012/2013 were aimed at:

- the reduction of electricity consumption;
- the reduction in consumption of natural gas;
- the reduction of water consumption.

The most significant actions aimed at reducing electricity consumption were:

- the installation of high-efficiency lamps;
- the insulation of pipes of refrigerants for the air conditioning system;
- the elimination of compressed air leaks. At the date of publication of the report, a special audit on volumes of these losses was conducted, which was aimed at addressing the issue in a more systematic way;
- the development of projects focused on using different levels of compressed air according to the needs of different users.

Ferrero has reduced the consumption of natural gas through the following actions:

- the installation of a water treatment system (osmosis) for improving the energy efficiency of the thermal power plant;
- the improvement of maintenance to reduce steam leaks ;
- the training of process operators on the proper use of steam.

The production plant has implemented various measures to reduce water consumption:

- the installation of the osmosis system dedicated to the thermal power plant which also allows a reduction in consumption and water waste;
- the training and educating of employees on water treatment devices.

In addition, the plant has approved investments to install energy and water measuring systems that will help to control the flows better and to identify the areas with high potential for improvement.

In the future, the Vladimir plant also intends to reduce the consumption of resources per unit of production and to reduce its environmental impact

further. Below are some of the projects currently under study:

- optimization of air-conditioning systems in production areas and warehouses;
- installation of LED lighting systems;
- training of employees on consumption of resources.

Spending on locally-based suppliers

Since production started in November 2009, the Vladimir plant has constantly collaborated with Russian suppliers.

In FY 2012/2013, 86% of purchases of packaging materials and 51% of purchases of technical equipment and services were carried out from local suppliers.

In FY 2012/2013, the Vladimir plant cooperated with 240 local suppliers belonging to various regions of Russia, out of 316 suppliers in total.

Geographical distribution of suppliers of the Vladimir plant in FY 2012/2013

Area	Percentage of suppliers
Vladimir region	25%
Other Russian regions	51%
Foreign suppliers	24%

Ferrero Russia, in close cooperation with the Central Purchasing Department of the Group, conducts searches on major local suppliers that could give support to the Ferrero business, in Russia. Development of the local supplier base, which should be reliable and should be able to secure the high quality standards of the Group, is a fundamental condition for sustainable growth of Ferrero in the country.



Initiatives for employees of the plant

Over 50% of direct employees of the Vladimir plant are highly qualified: in particular, 25% have bachelor's degree in engineering. In addition, 27% are women and 73% are men; the average age is 34 years.

In the Vladimir plant, various programs have been activated, aimed at creating a positive work environment to ensure a good work-life balance. The salary level of the employees of Ferrero in Russia is higher than the market average; also a broad social package is available.

The human resources policy is based on 3 principles. Below, the key aspects are explained.

1. Work with broad perspectives:

- the canteen is opened 24 hours a day;
- the medical center is opened 24 hours a day, 7 days a week, its specialists offer competent medical services, from first aid to rehabilitation with physiotherapy;
- regular medical checks for all employees;
- shuttle service for employees, up to a distance of 45 km;
- a two-week coaching system for new employees, with an assigned tutor;
- foreign language courses (Italian and English);
- a broad training package designed to develop specific skills (e.g. Automation Languages) and managerial capabilities; each employee receives an average of 30.16 hours of training per year;
- corporate events for employees (the end of year party, the birthday of the plant at the end of May).

Ferrero pays great attention to occupational safety in the plant, all workstations and personal protective equipment are certified in accordance with local laws.

Employees, in their own turn, are involved in certain decision-making processes for ongoing improvement in the management of production: this ensures efficient operation of the plant and raises the employees' motivation.

Project MiCo (continuous improvement)

The employees participate in the optimization of production and management processes by offering innovative ideas, subject to a system of collective vote. For instance, in case of any decisions with social implications (changing work shifts, transportation routes, the staff canteen menu), by means of questionnaires, employees can express their



opinions; in this way, the solution adopted is supported by the majority.

2. Support of social life:

- organization of courses in the swimming pool and in the gym at the sports center of Vladimir;
- participation of the Vladimir plant team in local amateur competitions;
- internal drawing competitions for the children of employees, "Ferrero through children eyes".

3. Interaction with the work environment:

Ferrero has implemented training activities aimed at deeper education of students. During the **Career Day**, Ferrero conducts special lessons for pupils in schools in order to clarify the process of production and to explain the type of specialization requested. This approach helps students in selecting the most appropriate university courses.

In addition, Ferrero collaborates with local education and training institutions to shape their training programs in accordance with the current business needs. In the coming years, in particular, Ferrero will cooperate with higher education institutions to organize some training courses at the plant, with a specific focus on business processes, system quality, lean production and ongoing improvement. The objective is to create a valuable support to young people in choosing their future profession and specialization.

Social initiatives in the local community

Since 2009, Ferrero Russia has executed a number of social projects in the Vladimir region in cooperation with the local authorities, including projects to support sporting events for children and people with disabilities.

Since 2009, each year on June 1, with the occasion of International Children's Day, Ferrero Russia organizes a festival for the orphans and children from disadvantaged families in the Vladimir region, with special programmes aimed at development and enjoyment, through cartoon shows and gifts from Ferrero. The number of children who attend the event has now reached around 300, from 100 initially; they come from 15 orphanages of the Vladimir region.



The Business unit

Well-being, health and safety

Ferrero Russia provides a comprehensive **Insurance Programme** to its employees, which provides, among other things, the following:

- **voluntary medical insurance**, with a clear system of medical and nursing services in clinics and hospitals, dental care, emergency medical services at home, doctor's visits to the Moscow office;
- **life and health insurance** (Ferrero Russia Health / Life Insurance Program);
- **foreign travel insurance**;
- **Flexible Benefit Program**, which helps to provide medical insurance policies for **spouses and children** or, to compensate for the expenses related to sport activities and to specific medical services (such as surgery which is not covered by the contract of Voluntary Medical Insurance);
- allowances for partially refunded meals (each employee receives monthly allowances for meals, in an amount stipulated by the contract of employment).

In addition to all social remunerations of the labor legislation currently in effect in the Russian Federation, Ferrero reimburses employees in case of illness, a difference between their monthly salary and the respective payments provided by local legislation, for a time period of 10 business days over the year (for pregnant women, this period is 15 days).

During pregnancy, for which Russia permits maternity leave of 140 days, Ferrero reimburses the pregnant employee for the difference between her monthly salary and the payments stipulated by the Russian labor legislation if she has worked no less than 3 years.

Ferrero Russia also pays various benefits for employees in the event of marriage, birth of a child, death of a spouse or children.

Work-life balance

In addition to all the rules currently in effect in Russia, and in order to provide a balance between work and personal life, the Moscow office of Ferrero offers:

- flexible working hours (start of work: from 8.30 till 9.30; end: from 17.30 till 18.30);
- coffee, tea and water free of charge;
- a communal kitchen to warm up food brought from home, during the lunch break.

Ferrero Russia has corporate contracts with some fitness clubs that allow employees to purchase season tickets at discounted prices.

Training and development

Ferrero Russia implements an extensive system of training and development, according to the needs and business objectives set. As part of the **Performance Management Process**, information on each employee is received and processed, which helps to develop a training plan for the entire year.

Training initiatives are aimed at developing:

- professional skills (financial certification ACCA, CIMA, CIA, participation in professional seminars, conferences and round table discussions);
- managerial abilities and leadership skills (People Management, Project Management, Coaching Skills Development, Communication & Conflict Management, Presentation skills development);
- technical skills, computer expertise and development of language skills (English & Italian).

Since 2006, Ferrero Russia has been active in a special programme dedicated to the training and development of its Sales Force, in order to form unified standards of work and to continually improve the knowledge and skills of the sales team at all levels.

There are various types of training for sales department employees (at all levels of the commercial organization):

1. External (involving specially invited experts):

- conducting special programs at various levels, elaborated by training centers/agencies (retraining courses, professional training etc.);
- specialized computer courses (Excel, Power Point, etc.);
- special program.



2. Internal (involving the engagement of a trainer from the Sales Force):

- professional internal (corporate) training, in accordance with the annual training plan;
- other activities conducted by a team of trainers from the sales department.

3. E-learning – is carried out on a training platform or the internal portal of Ferrero Russia and is carried out by means of programs that require studying Ferrero standards and business models.

Project “grow with us!”

It is an initiative aimed at attracting new talents to pursue their careers with Ferrero, developing professional experience which is increasingly more important.

The pilot project was launched in 2012: Ferrero Russia hires students (up to 5 per year), providing them with an opportunity to specialize and to contribute to business growth by performing various functions in various projects. In general, every probationer rotates between 3 different functions. Graduates are involved in the projects of the Marketing, Sales, Trade Marketing, SPE and other departments. This helps to better understand the business processes in Ferrero, as well as acquire a valuable experience of teamwork and develop communication skills.

Project “thank you!”

The project “THANK YOU!” is an initiative of the **HR** Department implemented for the purpose of supporting the inter-functional communication and the feedback culture. The project encourages employees to thank each other by sending their colleagues electronic messages embellished in a particular way, with the “stars” of various categories (nominations). Currently there are 7 nomination stars that are awarded for: teamwork, professionalism, a brilliant idea, support, etc. In this way, each employee may send his/her colleague a “thank-you” star in the selected category.

The project was set up in November 2011. This initiative has been welcomed with great enthusiasm: in its first year, the number of “thank-you” stars exceeded 2000; thereafter, employees began to create new categories to thank various subdivisions or individual colleagues for more specific activities or events. Year after year, the employee involvement has been increasingly growing: in FY 2012/2013, the total number of stars was 2627, 26% more than in FY 2011/2012.

Holders of the highest number of “thank-you” stars during a year get a special prize and are “praised in public” on the occasion of Ferrero Russia’s Annual Conference.

10 years of Ferrero Russia service

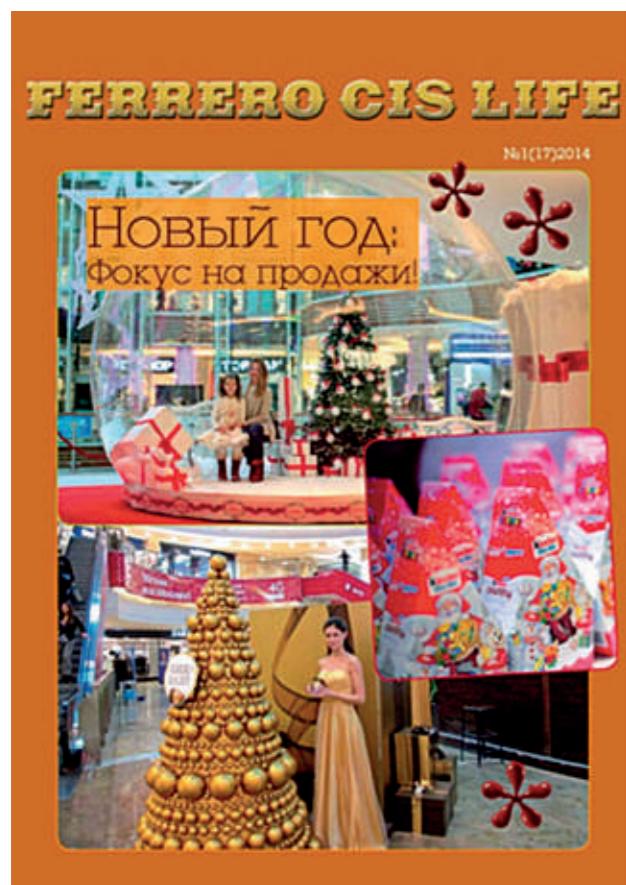
Since 2005, Ferrero Russia has rewarded employees who have worked for the company for 10 years: on the occasion of the Annual Conference, the “veterans” are awarded with personalized gifts as a token of gratitude for their merits.

In August 2013, 7 employees, who had worked in the company for 10 years, were awarded. Currently, there are 16 people who have worked in Ferrero Russia for over 10 years (3% of the workforce).

Employee engagement and communication

For the purpose of supporting internal communication, Ferrero Russia has created an intranet portal and an electronic magazine called “Ferrero CIS Life”, which is published on a quarterly basis. Both tools facilitate internal communication:

- The portal helps to disseminate information briefly and quickly, to share positive results of performance, to place ads, etc.
- Ferrero CIS Life provides information on various topics related to Ferrero units operating in Russia, Belarus, Kazakhstan and Ukraine.



Ferrero Russia's corporate events

Ferrero Russia annually holds various events involving employees throughout its entire structure (both in Russia and in CIS countries). It is the annual conference of Ferrero, which is the most significant event organized in late August (before the start of the new commercial year) which analyses the performance results achieved in the current period and the development of the operational plans for the new year.

In addition, every December, Ferrero Russia organizes the traditional end-of-year party and a Christmas party for the children of employees, which provides, among other things, a show acted out by professional entertainers, as well as games, contests, etc.



Feedback from employees

According to the standard practice, managers in charge of individual subunits of Ferrero Russia collect feedback from employees, in order to understand their views on the services and procedures offered by the company (e.g., on the banking system, on medical assistance, on the program Flexible Benefits, etc.). Employees can express their opinions by completing a questionnaire. The collected information is treated confidentially.

Furthermore, after each corporate event, internal investigation is carried out to monitor the level of employee satisfaction. In this way, employees have the opportunity to express their opinions, provide comments and suggestions.

Participation with associations and commitment to the local community

Food industry partnership

Ferrero attaches great importance to internal dialogue and the continual exchange with various stakeholder groups. Ferrero deems this interaction crucial in order to create a climate conducive to the development of the food industry in Russia. Expectations and opinions expressed by stakeholders are an important tool to deepen social engagement and are a leverage to achieve our sustainability goals.

The most significant partnerships include:

- **SUPR (Union of participants in the consumer market)** – an international non-commercial organization that sets safety standards for food products. SUPR is an association of companies across sectors of consumer goods. In order to eliminate unjustified administrative barriers, SUPR monitors legislative acts in preparation, shares its position for improvement of the legislation regulating the consumer market, informs its members and provides them with counseling services

Ferrero has collaborated with SUPR since 2007 and, since 2012, Ferrero has actively participated in the SUPR program, aimed at interaction with the **Codex Alimentarius Commission** - the international organization responsible for setting standards in food safety, established by the World Health Organization (WHO) and by the Food and Agriculture Organization (FAO).

- **Russian Association of Advertisers (RAA)** – formed in 1997 and registered in 1998 as a non-commercial organization, whose main objective is to guarantee the creation and support of freedom in advertising in Russia. Among its most important tasks, the following should be singled out:

- the protection of interests of the association members in their relations with the public administration, advertising agencies, the media and social institutions;
- the promotion and development of an efficient system of self-regulation for advertising in Russia.

Being a member of RAA, Ferrero Russia takes part in all the processes related to self-regulation in the sphere of advertising, together with other participants (that is, those who have signed the Pledge 2.0, a commitment of self-restraint in respect of advertising to children, in its new version).

- **RusBrand Association** - RusBrand, the association of branded goods manufacturers, established in 2002, is one of the largest associations of Russian producers of consumer goods and, unites more than 50 leading Russian and global companies. The main objectives of RusBrandAssociation are:

- providing the governing bodies of public administration with information on the positive role and value of the brands;
- creating a climate of mutual respect and constructive cooperation between manufacturers of brands and their business partners, including the mass media, customers and consumers;
- contributing to the creation, in Russia, of fair and vigorous competition, by means of encouraging use of innovations and providing consumers with high-quality products.

As a partner of RusBrand, Ferrero Russia participates in the following committees and working groups:

- the Committee for Intellectual Property;
- the Working Group of ACORT (Association of Retailers);
- the Working Group for technical regulation;
- the Advisory Group for elaboration of guidelines on sugar consumption (for the World Health Organization);
- the CSR Committee, since its establishment in April 2014.



Ferrero Russia's social initiatives

Kinder+Sport

Kinder+Sport is the Ferrero program aimed at promoting a healthy lifestyle through the diffusion of sport as a daily practice, especially among the younger generations.



In the years 2008-2012, Ferrero Russia actively participated in the creation of the global project Kinder+Sport; in 2008 and until 2010, the project was carried out in cooperation with authorities of the Vladimir region, by means of supporting various sporting events for children, which involved more than 2,000 kids. From 2010, numerous national projects and initiatives were organized. With its Kinder+Sport project, Ferrero Russia has supported many sporting events:

1. **The track and field athletics tournament “Shipovka junykh” (“Sprint Shoes of the Youth”, the tournament that has existed for over 50 years).** Every year, students of schools, orphanages and boarding schools participate: from 2010 to 2012, 2,864 kids from various regions of Russia took part in the event.
2. **The track and field athletics tournament “Russkaya Zima” (Russian Winter)** takes place in Moscow and includes races, steeplechase with **“KINDER-START KID’S ATHLETICS”** and a master class by Tatyana Zelentsova, former world record holder in the 400 m hurdles, currently the coach emeritus of Russia (50 participants).
3. In January 2012, Kinder+Sport announced its **support for figure skating** (one of the most popular sports in Russia). During the **regional tour - Cup of professionals –** organized by **Ilya Averbukh**

(Olympic and world champion of 2002), Kinder+Sport master classes were conducted with the participation of 44 Russian cities and 3,000 students from physical culture schools of figure skating (aged 4 to 12). In every city, winners of these master classes had the opportunity to inaugurate the **Cup of professionals**. As a memento of the event, every child participant received a free T-shirt with the autographs of the most famous sportsmen. The event involved 250,000 spectators.





4. Remedial gymnastics in public parks of Moscow. From August till September 2012, Kinder+Sport installed sporting grounds in 6 Moscow parks. The green areas have hosted 16 public sessions of gymnastics with participation of such Olympic champions as **Irina Slutskaya, Anastasia Myskina, Lyaysan Utyasheva**, who are also well-known as TV anchors and "exemplary Moms."

Videopassport

Since 2012, Ferrero Russia has participated in the social project "Videopassport", a national-level information system that helps people in adopting a child.

In FY 2012/2013, thanks to the financial support of Ferrero Russia, **80** video files (50 of them in the Vladimir region) were made. As of 30 April 2014, 62 kids were already adopted by families.

In 2014, Ferrero Russia committed to continuing its cooperation with "Videopassport": the objective is to create **90** additional video files.

Kinder® Chocolate

Kinder® Chocolate entered the Russian market in 1995. The product has acquired popularity with consumers, thanks to its high quality and its exceptional taste characteristics.

The new stage in the development of the brand started in 2007, when a local communication platform "Mom's Love," popular with Russian consumers, was developed for Kinder® Chocolate. This also contributed to the success that Kinder® Chocolate attained on the special kids' chocolate market. The slogan "**Kinder® Chocolate is the best way to express your love**" is inextricably linked to the brand.



Responding to the wish of parents to give their children the most valuable products, the secret of Kinder® Chocolate success is based on the highest-quality ingredients, its uniqueness and its ability to accommodate the needs of Moms.

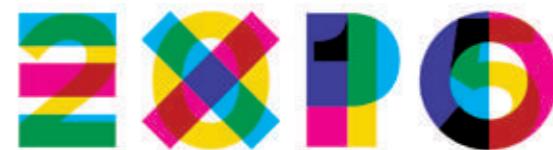
The responsibility of the brand to the consumer manifests itself not only in offering a high-quality product that is suitable for children, but also in the commitment to respect and support the Group's values in every promotional activity of the brand. Ferrero directs all its communication messages to Moms and does not run advertisements during hours characterized by the presence of a child audience, in accordance with the Pledge signed in 2011 and revised in 2012.

According to the findings of the survey conducted for Brand Equity by Ipsos company in 2012, Kinder is the leading brand of children's products. Kinder® Chocolate has contributed to the success achieved by the brand and is the second pillar of the Kinder trademark, as well as Kinder® Surprise.





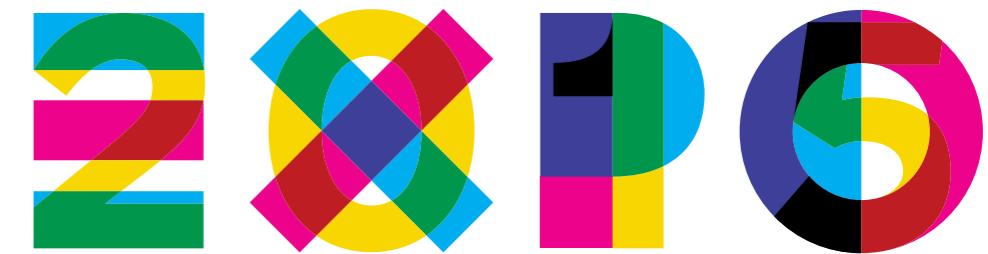
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MILANO 2015

Focus on Expo Milano 2015

Official Partner



MILANO 2015

FEEDING THE PLANET
ENERGY FOR LIFE

Focus on Expo Milano 2015

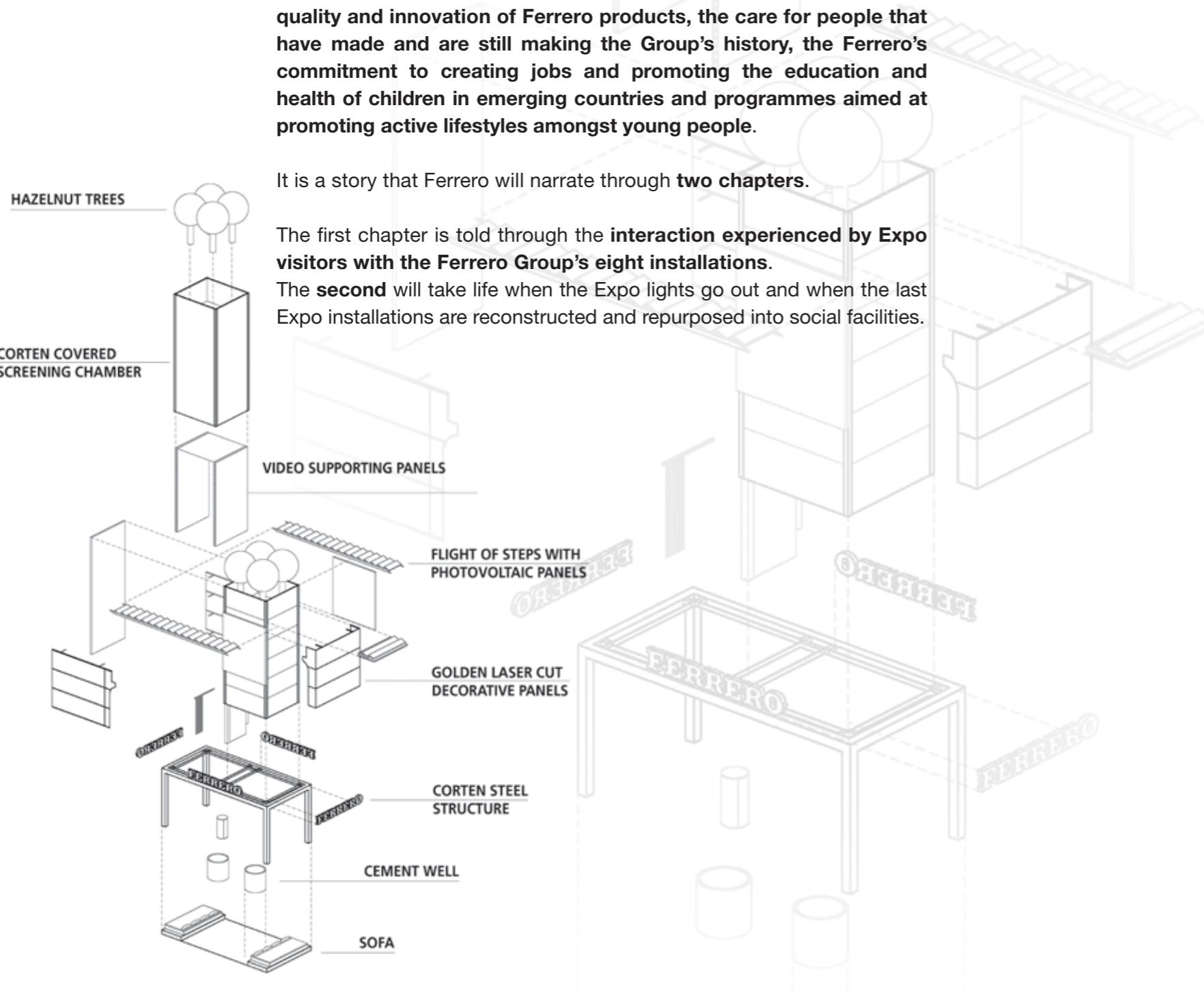
Feeding the planet, energy for life

The Ferrero Group will participate at Expo Milano 2015 as the **“Confectionery Specialities Official Partner”**, to tell the story of the social responsibility initiatives and projects that characterize its own actions. This story is about initiatives that focus on **the highest quality and innovation of Ferrero products, the care for people that have made and are still making the Group’s history, the Ferrero’s commitment to creating jobs and promoting the education and health of children in emerging countries and programmes aimed at promoting active lifestyles amongst young people.**

It is a story that Ferrero will narrate through **two chapters**.

The first chapter is told through the **interaction experienced by Expo visitors with the Ferrero Group’s eight installations**.

The **second** will take life when the Expo lights go out and when the last Expo installations are reconstructed and repurposed into social facilities.



Ferrero’s installations at the Universal Exposition 2015 in Milan have been specifically designed to narrate the Ferrero’s themes in the most interactive way.

Architecturally, the installations will be created using primary structures. At the top, ladder structures support solar panels that will independently power and supply energy to the installation. At the summit, eight hazelnut trees bear witness to a nature that yields generous fruits, as a tribute; Ferrero’s theme of giving back, at the root of the theme of Expo.

There will be many systems that draw public interaction: from external screens to video mapping inserted into the heart of the structure, from wells that deepen the communication topics to the activity of watering the hazelnut plants, contributing to their growth and nourishing the installation in a gesture coherent with the theme of Expo: feeding the planet.

The first chapter of the story telling finishes here.

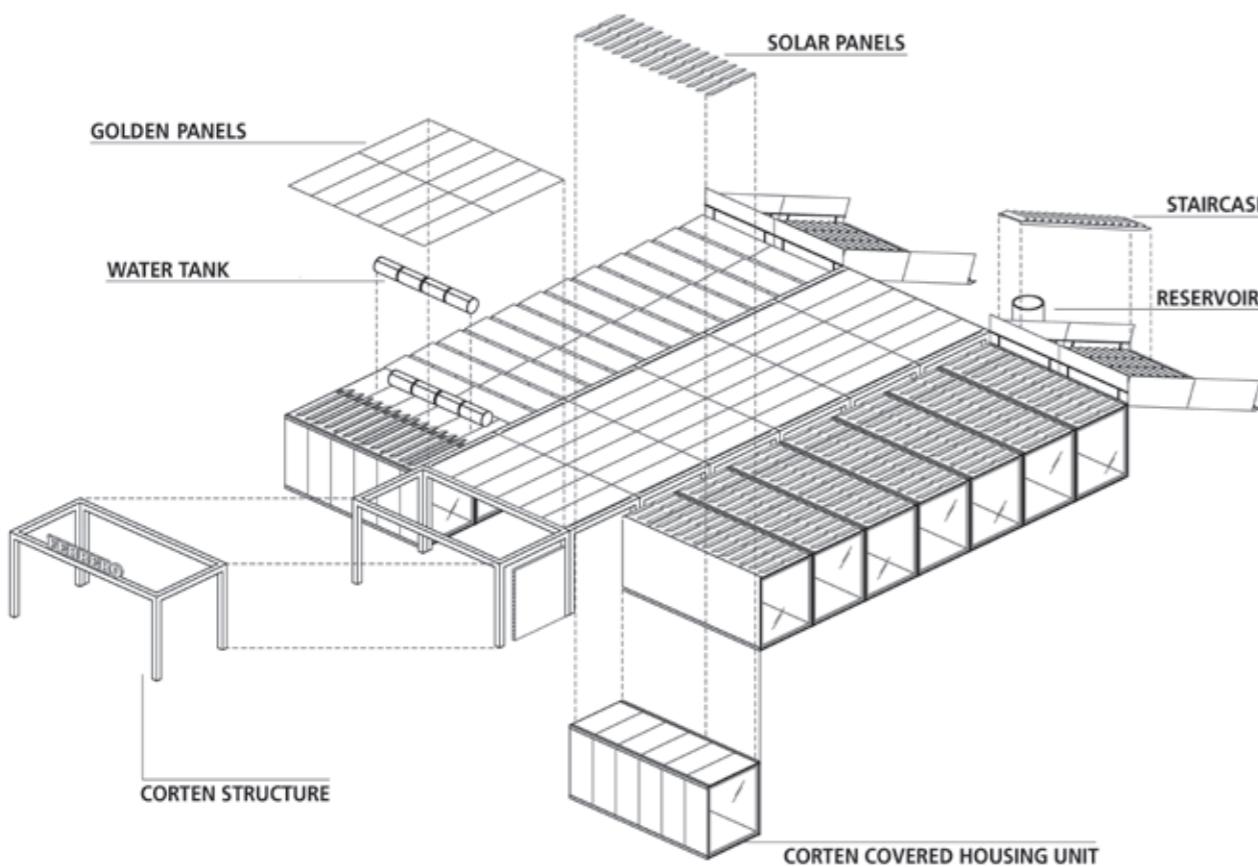
From Expo to GIVING BACK

The principal installations from the first chapter will recombine and be repurposed, giving life to the successive chapter, into something completely different and unexpected; the gesture of giving back. Every module that composes the Expo installations will be transported to one of the countries where Ferrero is present with its own Social Enterprises.

All these primary modular structures will be reassembled with an entirely new logic to ultimately become a school, an educational centre or a place for the community. The modularity of the system will allow them to choose the architectural composition most suitable for its intended function and similarly can be moulded to adapt to the land on which it will be built.

In fact, the central bodies of the Ferrero installations, initially used as projection rooms at Expo, are actually authentic **housing modules** which are designed for this very purpose: the interactive wells are segments that, when joined in succession, will become a genuine **well to reach water deep below the surface**; all the solar panels, reassembled into a single system, will provide all the **energy required by the entire facility**. Furthermore, the supporting steel frame will become the true entrance hall **to welcome**, shelter and bring together women and men.

Finally, an epilogue of the story will be written with the 64 hazelnut trees grown in the 183 days of the Expo: **they will be given back**, by being replanted next to the Ferrero Foundation and Alba factory; as a tribute and as a reminder of an important year.



GRI Indicators

The following is a summary of the main contents of the Corporate Social Responsibility Report 2013, according to the scheme of "Sustainability Reporting Guidelines" (version 3.1, 2011) integrated with "Food Processing Sector Supplement" (FPSS) and with reference to "OECD Guidelines for Multinationals Enterprises Principles" and ISO 26000. For each indicator there are: a summary of the content, the page reference of the report and the level of coverage: **T** = Total, **P** = Partial, **NC** = No Coverage, **NA** = Not Applicable (considering the type of activity or location of the business departments).

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
PROFILE				
1. Strategy and Analysis				
1.1 Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	n.a.	6.2 Organizational governance	T	8-9
1.2 Description of key impacts, risks, and opportunities	n.a.	6.2 Organizational governance	T	8-9; 66-69; 94-97; 102-103; 142-143; 164-165; 172-178; 223; 235
2. Organizational Profile				
2.1 Name of the organization	n.a.	n.a.	T	96-97
2.2 Primary brands, products, and/or services	n.a.	n.a.	T	90-91; 204
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	n.a.	6.2 Organizational governance	T	92-93; 96-97
2.4 Location of organization's headquarters	n.a.	n.a.	T	96
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	n.a.	n.a.	T	92-93
2.6 Nature of ownership and legal form	n.a.	n.a.	T	96-97
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries)	n.a.	n.a.	T	92-93; 204-205; 219; 233
2.8 Scale of the reporting organization (number of employees; number of operations; net sale)	n.a.	n.a.	T	90; 92-93; 114-117; 216; 230
2.9 Significant changes during the reporting period regarding size, structure, or ownership	n.a.	n.a.	T	5; 92-93; 96-97
2.10 Awards received in the reporting period	n.a.	n.a.	T	106-111
3. Report Parameters				
Report Profile				
3.1 Reporting period (e.g., fiscal/calendar year) for information provided	n.a.	n.a.	T	5
3.2 Date of most recent previous report (if any)	n.a.	n.a.	T	5
3.3 Reporting cycle (annual, biennial, etc.)	n.a.	n.a.	T	5
3.4 Contact point for questions regarding the report or its contents	n.a.	n.a.	T	5
Report Scope and Boundary				
3.5 Process for defining report content	n.a.	n.a.	T	5
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	n.a.	n.a.	T	5
3.7 State any specific limitations on the scope or boundary of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organization, state the strategy and projected timeline for providing complete coverage	n.a.	n.a.	T	5; 116; 128; 135-136; 172-175; 200-201

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	n.a.	n.a.	T	5
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	n.a.	n.a.	T	44-45; 84; 121; 128; 191; 194-195; 200
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods)	n.a.	n.a.	T	90; 189; 191
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	n.a.	n.a.	T	5; 114; 116
GRI content index				
3.12 Table identifying the location of the Standard Disclosures in the report	n.a.	n.a.	T	256-264
Assurance				
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	n.a.	7.5.3 Verification	T	5; 266-267
4. Governance, Commitment, Engagement				
Governance				
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	n.a.	6.2 Organizational governance	T	96
4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	n.a.	6.2 Organizational governance	T	96
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. State how the organization defines 'independent' and 'non-executive'. This element applies only for organizations that have unitary board structures. See the glossary for a definition of 'independent'.	n.a.	6.2 Organizational governance	T	96
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	n.a.	6.2 Organizational governance	T	96-97
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	n.a.	6.2 Organizational governance	T	96
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	n.a.	6.2 Organizational governance	T	96-97
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	n.a.	6.2 Organizational governance	T	96
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	n.a.	6.2 Organizational governance	T	12-13; 16-19; 22; 30-32; 38-43; 52; 62-63; 66; 68; 78-81; 98-99; 104-105; 142; 145-150; 172-173; 205-210; 216-217; www.ferrero.com/social-responsibility-code-business-conduct www.ferrero.com/code-of-ethics/reliability-trust/
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	n.a.	6.2 Organizational governance	T	96-97; 98-99; 104-105; 142; 172-173

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	n.a	6.2 Organizational governance	T	96
Commitments to external initiatives					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	n.a	6.2 Organizational governance	T	20-21; 104-105; 172-173; 176-178
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	n.a	6.2 Organizational governance	T	5; 19; 22-23; 32-33; 38-41; 105-111; 142; 244-245 www.ferrero.com/social-responsibility/code-business-conduct
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic	n.a	6.2 Organizational governance	T	101-102
Stakeholder Engagement					
4.14	List of stakeholder groups engaged by the organization	n.a	6.2 Organizational governance	T	98
4.15	Basis for identification and selection of stakeholders with whom to engage	n.a	6.2 Organizational governance	T	98-99
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	n.a	6.2 Organizational governance	T	82; 85-86; 98-99; 104-105; 123-124; 143; 152; 154-155; 163; 175; 223-224; 236; 243-245
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	n.a	6.2 Organizational governance	T	16-19; 22-23; 32-33; 98-99; 104-105; 142-143; 172-173
SOURCING PERFORMANCE INDICATORS					
DMA SC	Management and verification policies and system	n.a		T	8-9; 16; 18-19; 22-25; 36-39; 69-70; 94-95; 98-99; 104-105; 121; 142-145; 147-151; 153-156; 158-163; 172-173; 176-178; 180-183; 194-199; 206-211; 220-221; 234-235 www.ferrero.com/social-responsibility/code-business-conduct
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	n.a	6.3 Human rights 6.4 Labour practices 6.6 Fair operating practices 6.6.6 Promoting social responsibility in the value chain	T	16; 36; 38-39; 94; 104-105; 142-143
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	n.a	6.3 Human rights 6.4 Labour practices 6.6 Fair operating practices 6.6.6 Promoting social responsibility in the value chain	T	16; 36; 38-39; 94; 104-105; 142-143; 154; 156
ECONOMIC PERFORMANCE INDICATORS					
DMA EC	Management and verification policies and system	V. Employment and Industrial Relations XI. Taxation	6.2 Organizational governance 6.8 Community involvement and development	T	8-9; 54-57; 60-63; 71-72; 74-75; 83-87; 90; 92-93; 100; 102-103; 114-115; 121-122; 125-126; 138-139; 147-150; 156-159; 172-173; 176-177; 186; 204; 191-192; 216-217; 220-226; 230; 234-235; 238; 246-247
Economic performance					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	V. Employment and Industrial Relations XI. Taxation	6.8 Community involvement and development 6.8.3 Community involvement 6.8.7 Wealth and income creation 6.8.9 Social investment	T	100
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	V. Employment and Industrial Relations XI. Taxation	6.5.5 Climate change mitigation and action	T	176
EC3	Coverage of the organization's defined benefit plan obligations	V. Employment and Industrial Relations XI. Taxation	n.a	T	125

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
EC4	Significant financial assistance received from government	V. Employment and Industrial Relations XI. Taxation	n.a	T	103
Market Presence					
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	n.a	6.3.7 Discrimination and vulnerable groups 6.4.4 Conditions of work and social protection 6.8 Community involvement and development	T	121
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	n.a	6.6.6 Promoting social responsibility in the value chain 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation	T	71; 102-103; 223; 235
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	n.a	6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation	T	123
Indirect Economic Impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	n.a	6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment	T	54-57; 60-63; 72; 74-75; 83; 85-87; 102-103; 147-150; 158-159; 186; 224-225; 238; 246-247
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	n.a	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.6.7 Respect for property rights 6.7.8 Access to essential services 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment	P	54-57; 60-63; 72; 74-75; 102; 147-150; 158-159; 172-173; 176; 191-192; 220-221; 222-224; 230; 234-235
ENVIRONMENTAL PERFORMANCE INDICATORS					
DMA EN	Management and verification policies and system	VI. Environment	6.2 Organizational governance 6.5 The Environment	T	8-9; 93; 103; 142-144; 150-153; 172-173; 176-179; 180-181; 183-186; 188-189; 190-192; 194-201; 220-222; 234-236 www.ferrero.com/social-responsibility/code-business-conduct
Materials					
EN1	Materials used by weight or volume	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	93; 144; 150; 195
EN2	Percentage of materials used that are recycled input materials	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	195
Energy					
EN3	Direct energy consumption by primary energy source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	178-179; 189
EN4	Indirect energy consumption by primary source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	178-179; 188-189
EN5	Energy saved due to conservation and efficiency improvements	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	172; 176-179; 184-186; 194; 199; 220-222; 234-235
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	172; 176-179; 184-186; 194; 199; 220-222; 234-235
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	172; 179; 184-186; 220-222; 234-235
Water					
EN8	Total water withdrawal by source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	180-181
EN9	Water sources significantly affected by withdrawal of water	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	180-181
EN10	Percentage and total volume of water recycled and reused	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	180-181
Biodiversity					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	VI. Environment	6.5 The Environment 6.5.6 Protection of the environment & biodiversity, and restoration of natural habitats	T	192

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	VI. Environment	6.5 The Environment 6.5.6 Protection of the environment & biodiversity, and restoration of natural habitats	T	192
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	190-191; 199
EN17	Other relevant indirect greenhouse gas emissions by weight	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	200-201
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	190-192; 198-199; 220-222; 234-235
EN19	Emissions of ozone-depleting substances by weight	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	190
EN20	NO, SO, and other significant air emissions by type and weight	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	NA	Ferrero doesn't produce other significant air emissions.
EN21	Total water discharge by quality and destination	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	180-181
EN22	Total weight of waste by type and disposal method	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	182-183
EN23	Total number and volume of significant spills	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	183
Products and Services					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain 6.7.5 Sustainable consumption	T	169; 172-173; 194-197
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution 6.5.4 Sustainable resource use 6.7.5 Sustainable consumption	T	194; 197
Compliance					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	VI. Environment	6.5 The Environment	T	103
Transports					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain	T	199-201; 222; 236
SOCIAL PERFORMANCE INDICATORS					
Labor Practices and Decent Work					
DMA LA	Management and verification policies and system	V. Employment and Industrial Relations	6.2 Organizational governance 6.4 Labour Practices 6.3.10 Fundamental principles and rights at work	T	8-9; 56-57; 60-63; 114-122; 124-135; 138-139; 216; 221; 226-227; 230; 239-241 www.ferrero.com/ social-responsibility/ code-business-conduct www.ferrero.com/code- of-ethics/reliability- trust/
Employment					
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships	T	114-117; 216; 230
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships	T	120-121
LA15	Return to work and retention rates after parental leave, by gender.	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.4 Conditions of work and social protection	NC	121 We are going to develop our data collection process by 2014/2015.
Labor / Management Relations					
LA4	Percentage of employees covered by collective bargaining agreements	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.3.10 Fundamental principles and rights at work	T	124

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue	T	124
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue	T	124
Health and Safety					
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.6 Health and safety at work	P	129 We are going to develop our data collection process by 2014/2015.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.6 Health and safety at work 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.8 Health	T	56-57; 127; 134-135; 226-227; 239
Training and Education					
LA10	Average hours of training per year per employee by gender, and by employee category	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.7 Human development and training in the workplace	P	131-132; 135 We are going to develop our data collection process by 2014/2015.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.7 Human development and training in the workplace 6.8.5 Employment creation and skills development	T	60-63; 129-135; 226-227; 239
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.7 Human development and training in the workplace	T	133
Diversity and Equal Opportunity					
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	V. Employment and Industrial Relations	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4 Labour Practices 6.4.3 Employment and employment relationships	T	117-119
Equal Remuneration for Women and Men					
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	V. Employment and Industrial Relations	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4 Labour Practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection	P	122 We are going to develop our data collection process by 2014/2015.
Human Rights					
DMA HR	Management and verification policies and system	IV. Human Rights	6.2 Organizational governance 6.3 Human Rights 6.3.3 Due Diligence 6.3.4 Human rights risk situations 6.3.6 Resolving grievances 6.6.6 Promoting social responsibility in the value chain	T	8-9; 16-19; 30; 38-39; 103-105; 118; 122-125; 129-130; 138-139; 142-150; 156-159; 164-167 www.ferrero.com/ social-responsibility/ code-business-conduct www.ferrero.com/code- of-ethics/reliability- trust/
Investments and procurement practices					
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	IV. Human Rights	6.3 Human Rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain	T	16; 39; 104-105; 142; 146-150
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	IV. Human Rights	6.3 Human Rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the value chain	T	16; 39; 104-105; 142; 146-150; 156-158
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	IV. Human Rights	6.3 Human Rights 6.3.5 Avoidance of complicity	P	103; 129-130

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Non-discrimination					
HR4	Total number of incidents of discrimination and corrective actions taken	IV. Human Rights V. Employment and Industrial Relations	6.3 Human Rights 6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships	T	103
Freedom of Association and collective Bargaining					
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	IV. Human Rights V. Employment and Industrial Relations	6.3 Human Rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.8 Civil and political rights 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships 6.4.5 Social dialogue	T	16; 39; 104-105; 124-125; 142
Child Labor					
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	IV. Human Rights V. Employment and Industrial Relations	6.3 Human Rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.6.6 Promoting social responsibility in the value chain	T	16; 39; 104-105; 142; 145-150; 156-159
Forced and Compulsory Labor					
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	IV. Human Rights V. Employment and Industrial Relations	6.3 Human Rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.6.6 Promoting social responsibility in the value chain	T	16; 39; 104-105; 142; 145-150; 156-159
Assessment					
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	IV. Human Rights	6.3 Human Rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity	T	16; 39; 104-105; 142; 145-150; 156-159; 167
Remediation					
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	IV. Human Rights	6.3 Human Rights 6.3.6 Resolving grievances	T	39; 103
Society Performance Indicators					
DMA SO	Management and verification policies and system	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.2 Organizational governance 6.6 Fair Operating Practices 6.8 Community involvement and development	T	8-9; 13; 16; 18-19; 38-39; 40-41-49; 52-63; 72; 74-75; 78-87; 94-95; 101-103; 138-139; 142-150; 156-159; 184-186; 192-196; 205-210; 223-225; 235-238; 246-248 www.ferrero.com/social-responsibility/code-business-conduct
Local Communities					
S01 (FPSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.9 Social Investment	T	16; 38-39; 48-49; 52-63; 72; 74-75; 83; 85-87; 102; 138-139; 143-150; 156-159; 184-186; 193-196; 205-210; 223; 235
S01 (G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.9 Social Investment	T	38-39; 48-49; 52-63; 66-72; 74-75; 78-87; 102-103; 138-139; 143-150; 156-159; 186; 223-225; 235; 238
S09	Operations with significant potential or actual negative impacts on local communities	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.5.3 Prevention of pollution 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.8 Community involvement and development	T	102-103; 223; 235
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.5.3 Prevention of pollution 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.8 Community involvement and development	T	102-103; 223; 235

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Non-discrimination					
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.8.8 Health	T	18-21; 48-49; 78-87; 246-248
Freedom of Association and collective Bargaining					
S02	Percentage and total number of business units analyzed for risks related to corruption	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.3 Anti-corruption	T	103
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.3 Anti-corruption	P	We are going to develop our data collection process by 2014/2015.
S04	Actions taken in response to incidents of corruption	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.3 Anti-corruption	T	103
Child Labor					
S05	Public policy positions and participation in public policy development and lobbying	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.4 Responsible political involvement 6.8.3 Community involvement	T	18-19; 40-41; 101-102; 143; 150-152; 156-159; 244-245
Forced and Compulsory Labor					
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.4 Responsible political involvement 6.8.3 Community involvement	T	www.ferrero.com/social-responsibility/code-business-conduct Ferrero does not allow behaviors that, directly or indirectly, offer, promise, give or demand a bribe or other undue improper advantage, with the intention of corruption, to public officials, civil servants, members of their families, and business partners Ferrero does not allow contributions to political parties and/or to candidates for public office.
Assessment					
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	X. Competition XI. Taxation	6.6 Fair Operating Practices 6.6.3 Anti-Corruption 6.6.7 Respect for property rights 6.8.7 Wealth and income creation	T	103
Remediation					
Society Performance Indicators					
DMA PR	Management and verification policies and system	VI. Environment VIII. Consumer Interests	6.2 Organizational governance 6.6 Fair Operating Practices 6.7 Consumer Issues	T	16-20; 22-23; 26-28; 32-37; 39; 40-47; 103-104; 196-197
Customer Health and Safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	VI. Environment VIII. Consumer Interests	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.7 Consumer Issues 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption	T	www.ferrero.com/social-responsibility/code-business-conduct 16; 18-20; 22-23; 32-37; 104
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	VI. Environment VIII. Consumer Interests	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.7 Consumer Issues 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption	T	28; 39; 103
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	VI. Environment VIII. Consumer Interests	6.7.4 Protecting consumers' health & safety	T	26-27
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	VI. Environment VIII. Consumer Interests	6.7.5 Sustainable consumption	T	19
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	VI. Environment VIII. Consumer Interests	6.7.5 Sustainable consumption	T	19
Product and Service Labeling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	VIII. Consumer Interests	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and awareness	T	46-47; 196-197

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
FP8 Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	VIII. Consumer Interests	6.7.5 Sustainable consumption	T	46-47
Marketing communication				
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	VIII. Consumer Interests	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and awareness	T	40-46
Compliance				
PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	VIII. Consumer Interests	6.7 Consumer Issues 6.7.6 Consumer service, support and complaint and dispute resolution	T	39; 103
ANIMAL WELFARE PERFORMANCE INDICATORS				
DMA AW Management and verification policies and system	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	T 16; 104-105; 161-163; 208-209 www.ferrero.com/ social-responsibility/ code-business-conduct	
Breeding and Genetics				
FP9 Percentage and total of animals raised and/or processed, by species and breed type	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA <i>Ferrero doesn't roast or process animals.</i>	
Animal Husbandry				
FP10 Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA <i>Ferrero doesn't roast or process animals.</i>	
FP11 Percentage and total of animals raised and/or processed, by species and breed type, per housing type	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA <i>Ferrero doesn't roast or process animals.</i>	
FP12 Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA <i>Ferrero doesn't roast or process animals.</i>	
Transportation, Handling, and Slaughter				
FP13 Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA <i>Ferrero doesn't roast or process animals.</i>	



Statement

GRI Application Level Check

GRI hereby states that Ferrero International S.A. has presented its report "Sharing Values to Create Value" (2014) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 July 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The "+" has been added to this Application Level because Ferrero International S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 16 July 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

Review report on the corporate social responsibility report

To the board of directors
of Ferrero International S.A.

Page 2

1. We have reviewed the corporate social responsibility report (the "sustainability report") of the Ferrero Group (the "Group") as of August 31st, 2013. The directors of Ferrero International S.A. are responsible for the preparation of the sustainability report in accordance with the "Sustainability Reporting Guidelines" (version G3.1, 2011) and "Food Processing Sector Supplement" both issued by GRI – Global Reporting Initiative, as set out in the paragraph "about this report". The directors are also responsible for the definition of the Group's objectives regarding the sustainability performance and the reporting of the achieved results. The directors are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the sustainability report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the "International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That standard requires the compliance with ethical principles ("Code of Ethics of Professional Accountants" issued by the International Federation of Accountants), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on the sustainability report consists of making inquiries, primary with persons responsible for the preparation of the information included in the sustainability report, analysing the sustainability report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
 - comparing the economic and financial information and data included in the paragraph "Ferrero Group" of the sustainability report with those included in the Group's consolidated financial statements as of August 31st, 2013, on which Deloitte Audit Société à responsabilité limitée issued the auditor's report dated February 14th, 2014;
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following procedures:
 - interviews and discussions with delegates of Ferrero Group, to gather information on the information, accounting and reporting systems used in preparing the sustainability report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the sustainability report;

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Member of Deloitte Touche Tohmatsu Limited



- analysis, on a sample basis, of the documentation supporting the preparation of the sustainability report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the sustainability report;
- analysing the compliance of the qualitative information included in the sustainability report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainability strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the legal representative of Ferrero International S.A. on the compliance of the sustainability report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to the sustainability report of the prior year presented for comparative purposes, reference should be made to our review report dated July 9th, 2013.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the sustainability report of the Ferrero Group as of August 31st 2013 is not prepared, in all material respects, in accordance with the "Sustainability Reporting Guidelines" (version G3.1, 2011) and "Food Processing Sector Supplement" both issued by GRI – Global Reporting Initiative, as set out in the paragraph "about this report".

Milan, July 30th, 2014

DELOITTE ERS – Enterprise Risk Services S.r.l.

Franco Amelio

Partner
Corporate Responsibility Services

This report has been translated into the English language solely for the convenience of international readers.

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