



**FERRERO**

# FOR THE BETTER

Ferrero Group  
Sustainability Report 2019

# WELCOME TO OUR 11<sup>TH</sup> SUSTAINABILITY REPORT

In this Report, you will find Ferrero's global initiatives, whose aim is to have a positive impact on employees, consumers, families and the local communities in which we operate.

Our way of doing things includes our dedication to protect the environment, the sustainable sourcing of high-quality raw materials, the promotion of responsible consumption and the empowerment of people.

This report brings together our challenges, our actions and our vision for the future in a way that openly showcases a Company that always strives to be a positive force for good.

# WHAT'S INSIDE

<b>Introduction</b>	<b>Our progress and performance</b>	<b>Empower people</b>
Executive Chairman's statement	<b>Protect the environment</b>	How we empower people for the better
CEO's statement	– How we protect the environment for the better	65
About us	– Climate change	66
Our approach to innovation	– Energy	67
	– Water stewardship	68
	– Waste management in our manufacturing plants and warehouses	69
	– Manufacturing plants' compliance and certification	70
	– Packaging	71
	<b>Source ingredients sustainably</b>	72
	– How we source ingredients sustainably for the better	73
	– Cocoa	74
	– Hazelnuts	75
	– Palm oil	76
	– Milk and eggs	77
	– Sugar	78
	– Shea and sal	79
	<b>Promote responsible consumption</b>	80
	– How we promote responsible consumption for the better	81
	– Products and ingredients' safety and quality	82
	– Quality and safety of our Surprises	83
	– Nutrition	84
	– Responsible communications, marketing and labelling	85
<b>Our sustainability approach</b>		<b>Key data</b>
Materiality analysis		Performance data
Our stakeholders		
Our strategy		
SDG Contribution		
Governance		
		<b>About this report</b>
		About this report
		Topic Boundaries
		About our environmental data
		Assurance letter statement

## Executive Chairman's statement

**Welcome to our 2019 Sustainability Report, the 11th in our journey of reporting on our sustainability efforts. As a family company, Ferrero creates value by building trust and taking responsibility for the people who work with and for us.**

**A**nd the Ferrero way of doing things involves constant improvement. That is why we have evolved our sustainability approach and reporting to be more engaging and transparent, while staying true to our heritage and commitment to the United Nations Global Compact.

The theme of this year's report reflects our new Company purpose, "We care for the better". This will inspire and steer our sustainability strategy and agenda. It drives us to raise our ambitions and deliver our promises to impact people and the planet for the better.

2020 has been a year like no other. COVID-19 has impacted all of our lives and disrupted every area of society. For business, it has shone a light on the importance of sustainability as an enabler of resilience. The impacts have also shown the crucial need for long-term strategic thinking on a global scale to tackle social and environmental challenges and build a fairer, more sustainable and resilient society.

The core values that distinguish Ferrero enabled us to continue to deliver against our objectives and maintain solid business continuity throughout this challenging period. I would like to recognise the outstanding commitment and optimism of our employees. We acted quickly to keep them safe and they responded with determination to minimise disruption and maintain quality across our Company.

As we approach the end of our 2020 target period, we are defining a new strategy and commitments to ensure we tackle the sustainability risks and opportunities that are most pertinent to our growing business. In this report, we provide a first glimpse of our new strategic sustainability priorities, including our new climate goal towards 2030.

They are the culmination of months of deep dive analysis of our impact across value chains. We have also advanced in our public reporting, focusing on the most material social and environmental aspects for our business. We aim to improve our disclosure and to communicate clear progress against our commitments.

This is an exciting time for Ferrero and I would like to thank all those who continue to support us. I look forward to communicating further developments and progress against the new strategy as we enter an exciting new period of our Company history.

/s/  
**Giovanni Ferrero**  
Executive Chairman, Ferrero Group



**AS WE APPROACH THE END OF OUR 2020 TARGET PERIOD, WE ARE DEFINING A NEW STRATEGY AND COMMITMENTS TO ENSURE WE TACKLE THE SUSTAINABILITY RISKS AND OPPORTUNITIES THAT ARE MOST PERTINENT TO OUR GROWING BUSINESS.**



## CEO's statement

The financial year 2018/19 was a successful one for Ferrero. Despite global uncertainties and challenges impacting the industry, we improved business performance and grew our portfolio while demonstrating the resilience of Ferrero business model.



THE YEAR HAS BROUGHT INTO SHARP FOCUS THE CRUCIAL IMPORTANCE OF SUPPLY CHAIN TRANSPARENCY, RESILIENCE AND COLLABORATION.

FERRERO'S STRONG RELATIONSHIPS WITH SUPPLIERS AROUND THE WORLD HAS ENABLED US TO WEATHER THE STORM AND MEET HIGH EXPECTATIONS DURING THE GLOBAL PANDEMIC.



**H**owever, as we focus on the short-term challenges, we must also keep the long-term social and environmental challenges impacting our planet firmly in mind. Our ambitious new carbon targets will drive Ferrero's contribution to tackling the climate emergency. We've also signed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment and have committed to ensure all our packaging is recyclable, reusable or compostable by 2025.

The year has brought into sharp focus the crucial importance of supply chain transparency, resilience and collaboration. Ferrero's strong relationships with suppliers around the world has enabled us to weather the storm and meet high expectations during the global pandemic.

As we approach the end of our current strategy, the Ferrero Farming Values Programme will remain the foundation on which we address the crucial supply chain issues of human rights, farmer livelihoods and deforestation. 81% of our cocoa is now certified sustainable and we are on track to achieve 100% by 2020. We are some way off our 2020 target for hazelnuts and we are working to increase traceability and improve standards for workers in the hazelnut supply chain.

Once again, we sourced 100% sustainable certified RSPO palm oil and Ferrero was ranked the most sustainable in the industry by WWF in its Palm Oil Buyers Scorecard in 2020.

Across the board, we are strengthening due diligence on human rights and engaging with expert partners to ensure everyone who works in our supply chain is treated with respect and dignity. Our strategic partnerships are enabling us to deliver meaningful change at the farthest reaches of our supply chain – among them our partnership with Save the Children which is tackling the root causes of child labour in cocoa farming.

Ferrero has always made it a priority to deliver positive social impacts, most notably today through the Ferrero Foundation in Italy and the Michele Ferrero Entrepreneurial Project in Africa and Asia. Our Kinder Joy of moving programme has also reached over 4.6 million children globally to inspire an active lifestyle among young people and their families.

You can read more about these projects and more in this report and online at [www.ferrerosustainability.com](http://www.ferrerosustainability.com). I hope you find it informative and I welcome your feedback so that we can continue the journey for improved sustainability performance and transparency.

/s/  
**Lapo Civiletti**  
CEO, Ferrero Group

## About us

### OUR CORE VALUES

Ferrero has been built by generations of people who share a commitment towards continuous improvement to achieve the highest quality and care that is put into everything we do for our consumers and the communities in which we operate.

Our core values provide the foundation for our purpose and are a guiding force for our people and suppliers as our family Company continues to grow.

**Loyalty and trust**

**Respect and responsibility**

**Integrity and moderation**

**Passion for quality**

**Research and innovation**

**Entrepreneurship**

**Work, create, donate**

### OUR PURPOSE STATEMENT

# WE CARE FOR THE BETTER



Our Company Purpose inspires and steers our sustainability strategy and agenda. It drives us to raise our ambitions and deliver our promises to impact people and the planet for the better.

Giovanni Ferrero  
Executive Chairman



### OUR WAY OF DOING THINGS

We live out our purpose every day through our:



**CONSUMERS**

Responsible marketing practices, high-quality ingredients and innovative products



**COMPANY**

Respect and care for our people through the organisation



**BUSINESS PARTNERS**

Integrity and trustworthy approach to our retailers and suppliers



**COMMUNITIES**

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

## About us continued

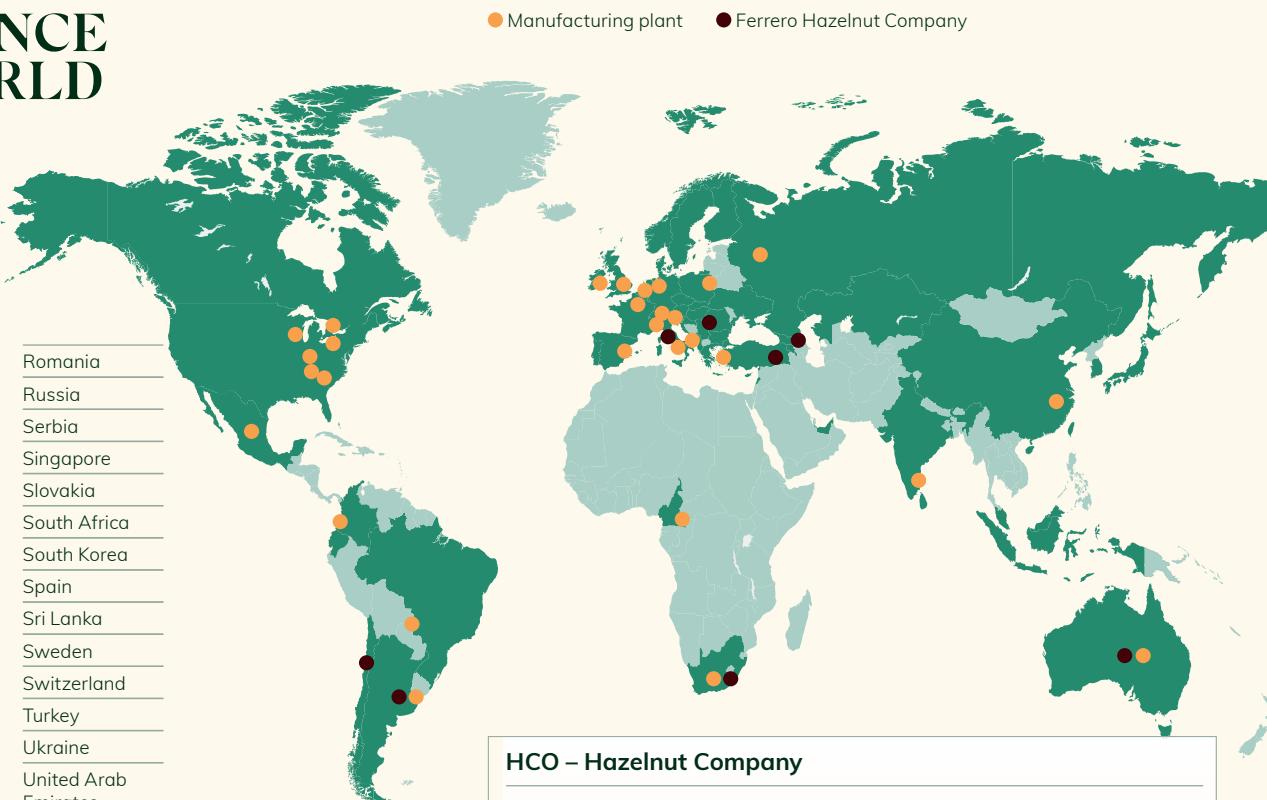
**Our purpose and structure have evolved over time, in step with our global expansion, changing consumer needs and constant innovation of our products.**

### OUR PRESENCE IN THE WORLD

**50+**

#### Countries and regions

Argentina	Germany
Australia	Greece
Austria	Hungary
Belgium	India
Brazil	Indonesia
Cameroon	Ireland
Canada	Israel
Chile	Italy
China	Japan
China, Hong Kong SAR	Kazakhstan
Colombia	Kuwait
Croatia	Luxembourg
Czech Republic	Malaysia
Denmark	Mexico
Ecuador	Monaco
Finland	Netherlands
France	Norway
Georgia	Poland
	Portugal



#### HCO – Hazelnut Company

**6**

#### Agricultural companies

Argentina	Chile	Serbia
Australia	Georgia	South Africa



For more information visit  
[www.hazelnutcompany.ferrero.com](http://www.hazelnutcompany.ferrero.com)

**7**

#### Manufacturing plants

Chile	Turkey
Italy	

<sup>1</sup> Plants acquired starting from 2017 onwards are not included in the scope of this report (n.23 to 31) – except where specified.

\* Michele Ferrero Entrepreneurial Project

#### 31 Manufacturing plants globally<sup>1</sup>

1. Italy – Alba 1946
2. Germany – Stadtallendorf 1956
3. France – Villers-Écalles 1960
4. Italy – Pozzuolo Martesana 1965
5. Australia – Lithgow 1974
6. Ireland – Cork 1975
7. Ecuador – Quito 1975
8. Italy – Balvano 1985
9. Italy – S. Angelo Dei Lombardi 1985
10. Belgium – Arlon 1989
11. Poland – Belsk Duży 1992
12. Argentina – La Pastora 1992
13. Brazil – Poços De Caldas 1994
14. Cameroon – Yaoundé\* 2005
15. Canada – Brantford 2006
16. South Africa – Walkerville\* 2006
17. India – Baramati\* 2007
18. Russia – Vladimir 2009
19. Mexico – S. José Iturbide 2013
20. Turkey – Manisa 2013
21. China – Hangzhou 2015
22. United Kingdom – Alfreton 2015
23. USA – North Canton 2017
24. USA – Bloomington 2018
25. USA – Franklin Park 2018
26. USA – Louisville 2019
27. USA – Florence 2019
28. USA – Augusta 2019
29. USA – Chicago 2019
30. Spain – Alzira 2019
31. Italy – Castel d'Ario 2019

## About us continued

### OUR MAIN BRANDS

**170+**

Countries where our products are present and sold



### OUR COMPANY

**33,003**

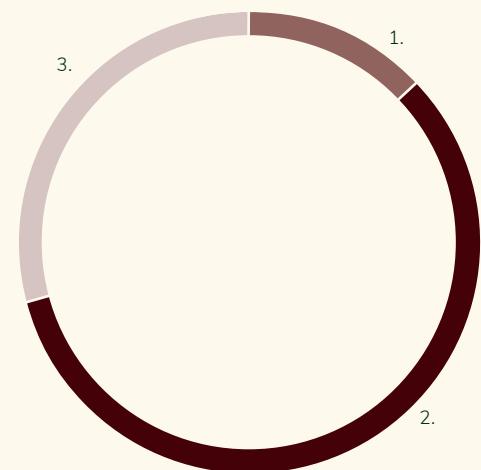
Employees (Full Time Equivalent)<sup>2</sup>  
2017/18: 31,748<sup>3</sup>



**104**

Consolidated companies managed under Ferrero International S.A.

Geographical distribution of consolidated net turnover in fiscal year 2018/2019 (%)



1. Italy	13%
2. Rest of Europe	58%
3. Outside Europe	29%

Total production (Tonnes)

**+3.6%**

2018/2019	1,355,284t
2017/2018	1,308,232t

Consolidated net turnover (€)

**+6.2%**

2018/2019	11,376,634
2017/2018	10,709,051

2 The total reaches 33,013 including the Ferrero Foundation FTE.

3 The total reaches 31,758 including the Ferrero Foundation FTE.

**About us** continued

# OUR VALUE CHAIN

Great brands are born from great inspiration and produced with the greatest care and quality. To ensure that sustainability is truly embedded in our brands, we consider the impacts and opportunities at every stage of the value chain – from sourcing raw materials to the end of life of our products.

## RAW MATERIALS

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

 Read more:  
Page 34

## PRODUCTION

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

 Read more:  
Page 20



## PACKAGING

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

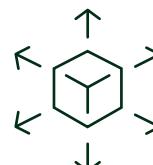
 Read more:  
Page 29



## LOGISTICS

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

 Read more:  
Page 28



## CONSUMPTION

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

 Read more:  
Page 55



## END OF LIFE

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

 Read more:  
Page 33



## Our approach to innovation

Innovation is one of the main drivers of our success. Conceived in our laboratories in Alba, our products have become, over time, true icons of the chocolate confectionery sector.

In line with this commitment the Open Innovation team and partner departments deliver innovative products by combining new technologies for ingredients and product formulations to develop a selling proposition that respects evolving food trends, regulations and sustainability commitments.

In alignment with the Executive Chairman's strategy towards Strategic R&D, Open Innovation pursues collaboration to shape a more sustainable future of food, leveraging new technologies and acceleration through global networking and presence in **Innovation Hubs**:



### SINGAPORE, FERRERO'S FIRST INNOVATION OUTPOST IN ASIA

An ideal ecosystem for experimenting with novel technologies to develop and test new products.



### NEW YORK CITY, WITHIN CORNELL'S TECH CAMPUS

Focus on leveraging the active and prolific American innovation ecosystem.



### LUXEMBOURG, WITHIN FERRERO HEADQUARTERS

Priority to pursue Open Innovation in the European ecosystem while leveraging close alignment with Ferrero group functions.

#### Strategic R&D investments are focused on a number of key areas:

- Sustainable packaging, with accelerated programmes on compostable and paper-based packaging
- Food waste reduction
- Evolution of sweet packaged food categories, considering better-for-you and plant-based
- Novel traceability technologies to increase visibility into sustainable sourcing practices
- Piloting precision agriculture technologies to drive and expand sustainable farming, including water use optimisation and biocontrol.

# OUR SUSTAINABILITY APPROACH

A professional woman with dark hair, wearing a blue blouse, is speaking into a black microphone. She is looking slightly upwards and to her right. In the background, several other people are seated in rows, suggesting a conference or seminar setting.

Materiality analysis	12
Our stakeholders	13
Our strategy	14
SDG Contribution	16
Governance	17

## Materiality analysis

**To succeed in a changing world, we must adapt and respond to the issues that matter most to our stakeholders and our business. Understanding these issues helps us define our strategic priorities and report on the issues that are of most interest to our stakeholders.**

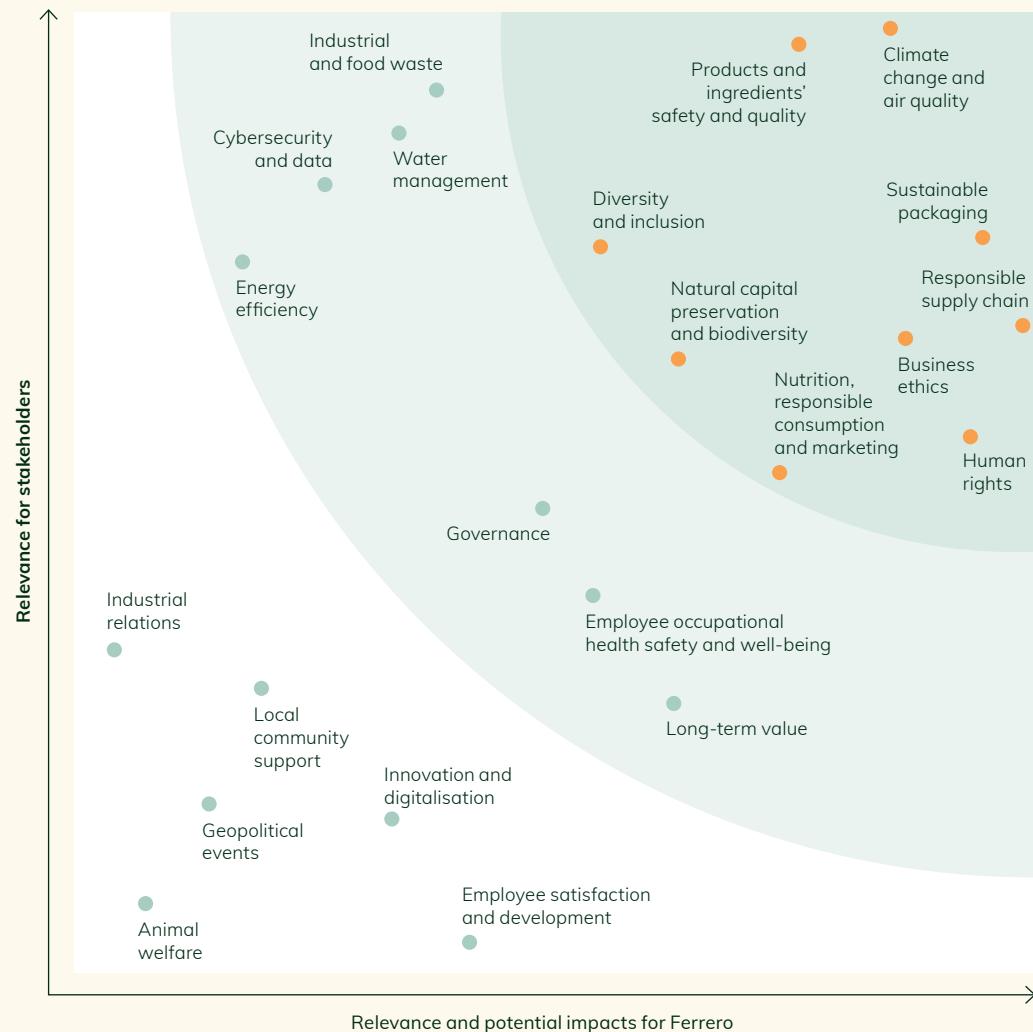
Our materiality analysis aims to identify and assess the relative importance of key sustainability topics for their impact on our ability to create value and their relevance to stakeholders. The outcomes of the materiality assessment inform our strategy and the content of our reporting.

We carried out our latest assessment in 2019. It analysed internal and external stakeholder perspectives and ranked key material topics using a number of steps.

### Our materiality process

- 1 A list of 22 topics was identified, reviewing our previous list of 28 topics in 2017, using insights from the BI tool Datamaran and internal sources.
- 2 This list of topics was presented to executive-level representatives of 34 business units via an internal survey. We asked people to assess their importance using three criteria (1. Watch list; 2. On-going importance; and 3. Top priority).
- 3 To assess relevance to external stakeholders (the y-axis of the materiality matrix), analysis was conducted using the BI tool Datamaran. This tool analyses thousands of data points to provide a personalised external view of priorities. Criteria included: industry trends; mandatory and voluntary regulation; newsflow and social media. The external analysis also included insights from Sigwatch and other reputational risk external sources.
- 4 The outcomes of the assessment were submitted and presented to the Audit Committee.
- 5 We have used the results to identify the priority areas for our new sustainability strategy ([see page 15](#)) and to focus this report.

### Materiality matrix



#### Material topics

Climate change and air quality	Products and ingredients' safety and quality	Business ethics	Natural capital preservation and biodiversity
Responsible supply chain	Human rights	Nutrition, responsible consumption and marketing	Diversity and inclusion
Sustainable packaging			

## Our stakeholders

**Engaging and collaborating with our stakeholders is key to developing our strategy, building transparent and trusting relationships.**

We define our stakeholders as the internal and external individuals, groups and organisations that are interested in or impact on/are impacted by our activities. Our mapping of internal and external stakeholders places the consumer at the heart of our engagement approach as our first key stakeholder.

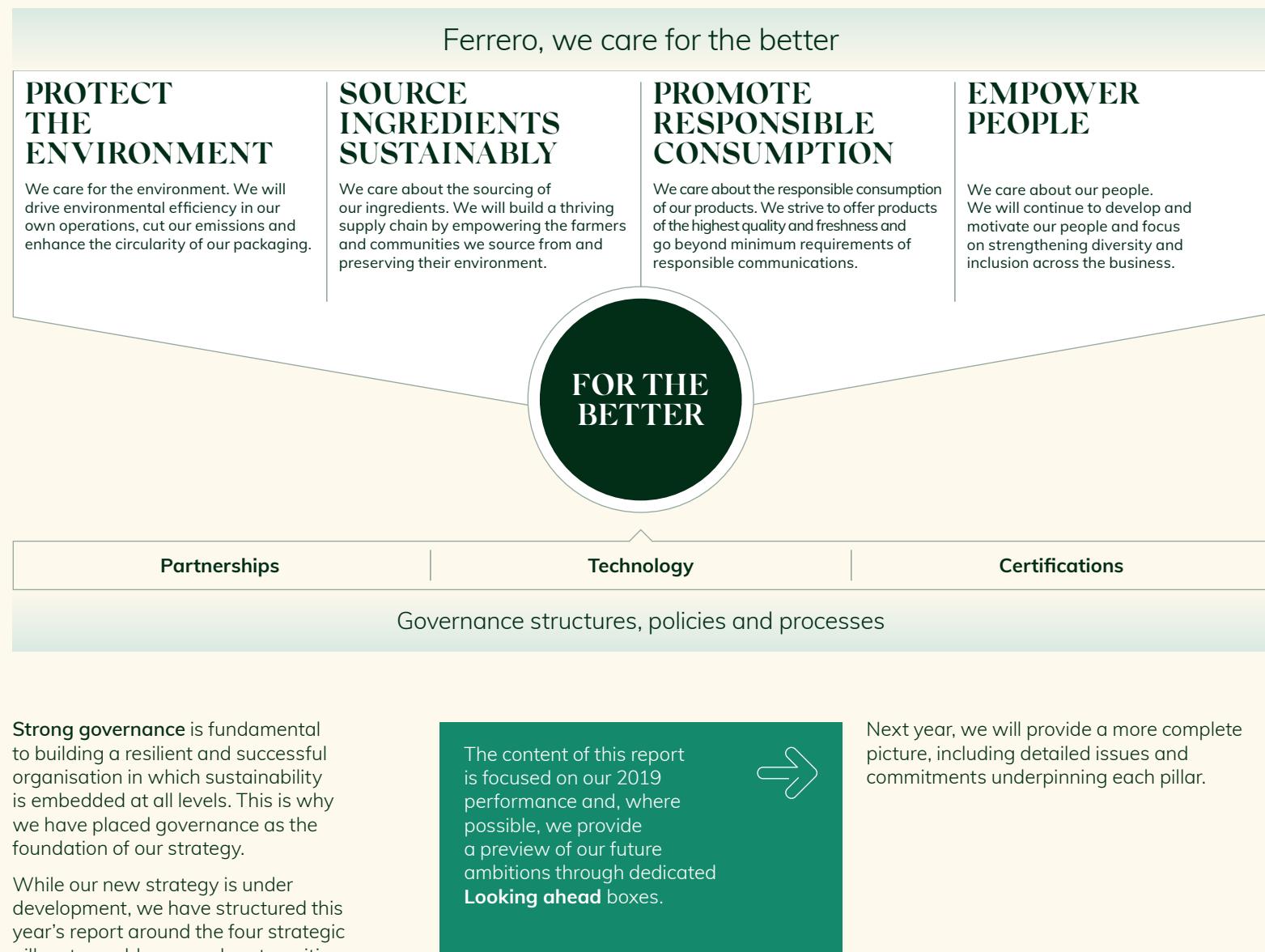


## Our strategy

In 2012, we set out our sustainability commitments for the period to 2012-2020 in our strategy, "Sharing Values to Create Value". 2019 was a year of transition in which we reviewed our achievements against these commitments and started to develop a new strategy for coming decade, "For the better". It builds on our Company purpose which implies a constant drive to improve and that, however well things go, the best is yet to come.

Informed by our latest materiality assessment, our new strategy is structured around four strategic pillars – protecting the environment, sourcing ingredients sustainably, promoting responsible consumption and empowering people. These pillars represent the areas in which we aim to have the greatest impact and create the most value. We have started to develop ambitious commitments to set the direction of travel and define the impact we wish to have under each strategic pillar.

To support our strategy, we have identified the key enablers that will ensure we succeed. We work in **partnerships** to scale our initiatives and drive transformation in the confectionery sector. We harness the power of **technology and innovation** to achieve our goals in the most rapid, efficient and impactful way. We leverage **certification** as a base for our sustainability impact and transparency.



## Our strategy continued

**In 2020, we will reach the end of our current strategy. It has focused our efforts on how we impact people and the planet with goals to drive progress and transparency across our operations.**

**We are going to reach many of our goals and we have reconsidered others as our business and the world around us has evolved. Here we provide an overview of our status against the current commitments for the period up until the end of FY 2018/19, using the new sustainability framework.**

## PROTECT THE ENVIRONMENT FOR THE BETTER

### Emissions

Over the last decade, we have examined in detail our impacts across the value chain, including mapping our emissions in accordance with the Greenhouse Gas (GHG) Protocol. We are now more aware than ever of the impacts of our operations.

Despite increased production volumes, a broadening scope and expanding global footprint, our continuous pursuit of energy efficiency has broadly maintained overall emissions intensity across our production sites.

Unfortunately, we will not reach the two CO<sub>2</sub>eq reduction targets for 2020 which we set in 2010: a 40% reduction of CO<sub>2</sub>eq emissions from production activities (2007 baseline) and a 30% reduction of GHG emissions from transport and storage activities (2009 baseline).

We are now even more committed to play our part by learning from this experience and delivering a new set of climate change commitments for 2030.

We self-produced 48% of electricity and 51% of thermal energy across our sites in August 2019. Looking ahead, we will focus on investing in green energy, both purchased and self-generated.

We are on track to reach our goal related to Group ISO 50001 certification, with 15 plants certified.

### Packaging

We have achieved our target of sourcing 100% paper and cardboard from sustainable sources. As part of our commitment to reducing the impacts of plastic packaging, we set a goal to evaluate the potential use of bioplastics in our packaging to limit consumption of non-renewable materials and increase renewable packaging by 10% by 2020.

Following consideration of the available technologies and requirements around safety, food quality and consumer expectations, we have reconsidered this goal. In line with industry best practice, we have adopted a new target for all packaging to be 100% reusable or recyclable or compostable by 2025.

## SOURCE INGREDIENTS SUSTAINABLY FOR THE BETTER

### Raw materials

We are on track to achieve our 2020 goals for our main raw materials. Our target to source 100% sustainable palm oil certified RSPO as segregated was met in December 2014 and we continue to meet this objective year after year.

For cocoa, we have reached 81% certification and we are on track to achieve our 2020 target of 100% certification.

Achieving our commitment to source 100% of traceable hazelnuts has been a challenge. We have achieved 52% traceability of our total sourced hazelnuts and will continue to strive to achieve full traceability over the coming years.

We have reached 48% of refined cane sugar from sustainable sources and we expect to meet our commitment to achieve 100% certification by 2020.

We reached our goal to source 100% of eggs from barn hens in EU plants in 2014 and have extended this goal to cover our sourcing of eggs globally by 2025.

## PROMOTE RESPONSIBLE CONSUMPTION FOR THE BETTER

### Safety and quality

Product quality and safety has always been a top priority. We set a goal to achieve FSSC 22000 food safety certification for all Group production sites by 2020. We have met this target with FSSC 22000 certification in place for all 21 plants in scope, including those of the Michele Ferrero Entrepreneurial Project. Looking ahead, we will extend certification to all newly-acquired plants.

## EMPOWER PEOPLE FOR THE BETTER

### Diversity

Our targets for 2020 included the promotion of diversity and a 5% increase of women in managerial positions (baseline August 2015). We are on track to reach the first target and have achieved a 4.4% increase in women in managerial positions in FY 2019. Improving our gender diversity remains a high priority for the future.

### Community

Over the past decade, we have significantly enhanced the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project. Kinder Joy of moving has reached 4.6 million children globally.

## SDG Contribution

**The UN Sustainable Development Goals (SDGs) represent a global call to action to achieve a better, more sustainable future. The 17 global goals for 2030 address the challenges we face including those related to poverty, inequality, climate change, environmental degradation, peace and justice.**

**W**e align our sustainability ambition with the SDGs. Our strategy links with specific SDGs and their targets, ensuring we make a meaningful and transparent contribution to protect the planet, ensure prosperity and help to end poverty. While we support all the SDGs, we concentrate on those that are most closely aligned with our strategy and to which we most strongly contribute with concrete actions.

We have defined three clusters of SDGs which link most closely to our strategy: those to which our strategy is aligned – identified as key priorities; those which enable our strategy; and those which are supported by our activities. This correlation was calculated taking into account our Materiality Assessment topic ranking and the number of links to each SDG. Following this initial prioritisation, we will look in more detail at how we contribute to specific SDG targets as we develop our strategy.



**FOLLOWING THIS INITIAL PRIORITISATION, WE WILL LOOK IN MORE DETAIL AT HOW WE CONTRIBUTE TO SPECIFIC SDG TARGETS AS WE DEVELOP OUR STRATEGY.**



**WE HAVE DEFINED THREE CLUSTERS OF SDGs WHICH LINK MOST CLOSELY TO OUR STRATEGY.**



## Governance

**Strong governance helps to ensure sustainability is embedded within the Ferrero Group. We develop policies and programmes to guide our business practices, manage our impact and contribute positive societal impact.**

**F**errero's long history and a unique heritage is characterised by being a family-owned company, expanding into new markets and opening new production plants, innovation of products and packaging, and quality and freshness as a top priority.

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

### Ferrero Corporate Governance<sup>1</sup>

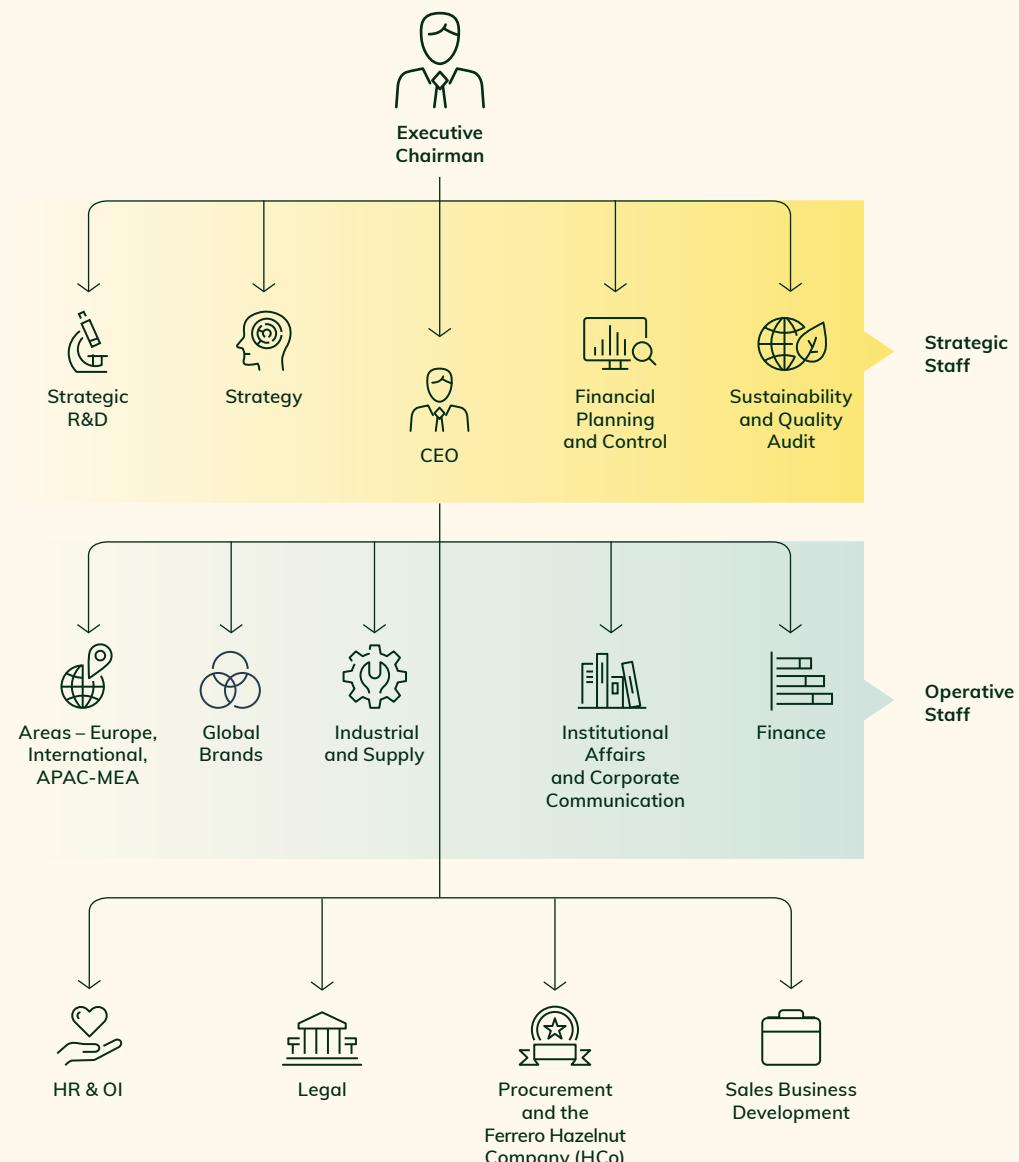
The Ferrero Group adopts a traditional Corporate Governance model whereby the Shareholders' Meeting, Board of Directors, Executive Chairman and Chief Executive Officer (CEO) guide projects and initiatives, in line with the long-term strategic objectives, promoting transparent and consistent communications towards the stakeholders.

The Board of Directors, which also includes non-family members, is assessed on a regular basis to ensure appropriate balance of knowledge, skills and expertise in its composition and a proactive contribution from all Board members towards the achievement of the Group's goals.

Our Executive Chairman, Mr. Giovanni Ferrero, reviews and approves the Group long-term strategy in line with our culture and values, defining new business directions and breakthrough innovations.

He leads the Strategic Staff (composed of Strategic R&D, Strategy, Financial Planning and Control, and Sustainability and Quality Audit), as well as the Group Leadership Team (GLT), Audit Committee and Group Boards (the HR and Organisation Development Board, Industrial and Supply Board, Product Board, Procurement Board and Reputation Board).

### Ferrero Group Governance structure



<sup>1</sup> Refers to the organisation in place since 1 September 2019.

## Governance continued

Our CEO, Mr. Lapo Civiletti, focuses on achieving short and mid-term results, ensuring business continuity and maximizing our managerial capabilities to:

- contribute to the definition of business targets, in line with the Executive Chairman's guidelines;
- ensure the achievement of business targets (budget and one- to three-year plans);
- oversee and manage trade-offs and arbitrages among Functions and Areas;
- enhance the protection of Group know-how and foster its development;
- ensure continuity in Ferrero values and promote our innovative product development culture.

The CEO leads the Group Management Team (GMT), composed of the Heads of the following functions: Areas – Europe; International; APAC-MEA; Global Brands; Industrial and Supply; Institutional Affairs and Corporate Communication; Finance; Human Resources and Organisation and Improvement; Legal; Procurement and the Ferrero Hazelnut Company (HCo); and Sales Business Development.

As of 31 August 2019, the Group was composed of 104 consolidated companies managed under Ferrero International S.A., the parent company based in Luxembourg.

### Sustainability governance

Sustainability governance defines the Group's sustainability strategy based on key sustainability and consumer trends, embedding it into the Group's strategic sustainability approach.

The CSR and Sustainability Organisational Unit is part of the Strategic Staff and interacts with business functions to provide strategic guidance on all sustainability topics.

Its key responsibilities are to:

- drive the sustainability agenda within Ferrero Group by integrating sustainability principles into strategies, policies and procedures;
- steer responsible business practices; and
- create positive impacts within the communities in which we operate.

Its objectives are to:

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

### Guiding principles for business ethics

The guiding principles for employees and others who work with us are set out in the Ferrero Code of Ethics and Code of Business Conduct. Employees are required to respect the principles set out in these documents and all Ferrero employees receive a copy of the Code of Ethics when joining the Group.

Our employees are encouraged to report violations or presumed violations of the Codes. The Ferrero Integrity Helpline has been available since July 2018 to enable Ferrero Group employees and those who work with us to ask questions and report issues in relation to the Code of Ethics and/or our Code of Business Conduct.

The helpline allows issues to be reported to Ferrero confidentially and, where local law permits, anonymously. It is accessible 24-hours-a-day, 365 days-a-year in 43 languages via a website and toll-free/local numbers in 55 countries where Ferrero operates. Reports are collected by a third-party and made available to a Ferrero Steering Committee, composed of members of the GMT, for review and investigation. The Ferrero Group Anti-Bribery and Corruption Policy was published in July 2018. It sets out our commitment to ensuring no detrimental treatment of any person as a result of reporting in good faith their suspicion that an actual or potential violation has taken place.

# OUR PROGRESS AND PERFORMANCE

## PROTECT THE ENVIRONMENT

Climate change	22
Energy	25
Water stewardship	26
Waste management in our manufacturing plants and warehouses	27
Manufacturing plants' compliance and certification	28
Packaging	29

## SOURCE INGREDIENTS SUSTAINABLY

Cocoa	37
Hazelnuts	42
Palm oil	48
Milk and eggs	51
Sugar	52
Shea and sal	54

## PROMOTE RESPONSIBLE CONSUMPTION

Products and ingredients' safety and quality	57
Quality and safety of our Surprises	59
Nutrition	60
Responsible communications, marketing and labelling	62

## EMPOWER PEOPLE

Human rights	66
People engagement	67
Diversity & Inclusion	68
Continuous learning	69
Employee rights	71
Health and safety	72
Ferrero Foundation	74
Michele Ferrero Entrepreneurial Project	75
Kinder Joy of moving	76



# PROTECT THE ENVIRONMENT FOR THE BETTER

We care for the environment. We will drive environmental efficiency in our own operations and in our supply chain, cut our emissions and enhance the circularity of our packaging.

## How we protect the environment for the better

### WHY DOES IT MATTER?

Science has never been clearer about the consequences of human consumption and the rising demand for energy, land and water on the planet. With climate change one of the most urgent issues we face, reducing emissions has become a cornerstone of responsible business. It connects with many other areas of environmental management across the value chain – from energy, water and waste to biodiversity and engagement with local communities. Our direct impacts on the environment mainly arise through our manufacturing operations. We also impact through the natural resources we use for our products and packaging, and their end of life management.

We focus on the following areas where we have the greatest opportunity to achieve meaningful change:

**Climate change** – reducing our carbon footprint by driving down GHG emissions in our operations and across the value chain

**Energy efficiency** – reducing the amount of energy required for our operations

**Water stewardship** – making rational use of water resources within our production processes and reducing water consumption and wastewater discharge

**Packaging and circular economy** – supporting the transition towards a circular economy, in which packaging never becomes waste or pollution

### OUR APPROACH

To achieve truly meaningful change, we consider the impacts of our products along the entire value chain. The key elements are compliance with legislation, certification of plants, data collection and monitoring, and investment in the best available technology to manage our operational processes. We monitor performance at plant level, developing preventative actions and aiming to meet the growing expectations of customers for sustainable packaging.

Our Corporate Environmental and Energy Policy and our Supplier Code communicate our environmental management commitment to stakeholders, including our employees and partners. It is supported by a set of operational procedures on key environmental topics. Our plants define local action plans in line with corporate policy and guidelines, as well as local context.

Engagement, knowledge building and best-practice sharing are fundamental to improving our environmental performance. The Central Direzione Operations Sustainability, Environment and Energy (DOSEE) function works closely with Industrial Sustainability, Environment and Energy (ISEE) managers at our plants. ISEE Managers oversee local environment management-related tasks and are the focal point for all environmental sustainability topics affecting the plants.

We work to improve the sustainability of logistics activities. Monitoring the impacts of logistics operations is key and initiatives are increasingly being developed to improve the environmental impact of our global transport networks, at the same time as ensuring compliance.

We are committed to supporting a circular economy by ensuring all our packaging is reusable, recyclable or compostable. To achieve it, we apply a data-based approach to designing and developing our packaging – identifying the best materials, minimising environmental impacts and communicating clear information to support consumers in disposing of it safely.

We use LifeCycle Assessment (LCA) to link environmental aspects – such as use of resources and air emissions – to their environmental consequences.

In FY 18/19, we developed the product LCA of our main products, including their packaging, to understand product categories' hotspots and raise internal awareness of environmental impacts along the lifecycle of products.

We currently report on the performance of 22 plants within the scope of our environmental data. We are working to include nine additional plants ([see page 7](#)), gained through recent acquisitions, within the scope of our future reporting.

### OUR 2020 COMMITMENT

As our Company perimeter continues to grow and expand, our previous commitments to achieve a 40% reduction in CO<sub>2</sub>eq emissions from production and a 30% reduction in emissions from transport and storage activities by 2020 will not be met. These targets have now been fully replaced with more ambitious carbon targets for 2030. We have partially met our 2020 commitment for self-produced electricity and there are a number of energy efficiency and renewable energy projects in the pipeline which will contribute to driving down emissions from production.

### LOOKING AHEAD



#### Emissions

- Reduce absolute Scope 1 and 2 emissions by 50% by 2030 from a 2018 base year.
- Reduce Scope 1, 2 and 3 emissions intensity by 43% by 2030 per tonne of product produced from a 2018 base year.

#### Packaging

- All packaging 100% reusable, compostable or recyclable by 2025.

## Climate change

**Climate change is one of the most crucial global issues of our time. Its impacts are already having far-reaching effects on people and the planet.**

**The UN's Intergovernmental Panel on Climate Change (IPCC) 2018 Report<sup>1</sup> states that we have just 12 years to act to keep temperature increase under 1.5°C, above which the impacts will be more serious. The global food and beverage industry has an important role to play in helping to meet the goals of the Paris Agreement to limit average global temperature increase.**

We have measured our Total Carbon Footprint for the past decade to identify the impacts of our activities – from raw materials to the use of our products. Having a clear and complete picture of our impacts across the value chain is key to identifying the areas with the greatest opportunity to reduce our emissions. We have achieved full compliance with the Greenhouse Gas Protocol which sets the standards for how organisations should measure and report their emissions.

### Scope 1

Our carbon reduction approach has focused on reducing emissions from our own operations, which is the area over which we have the direct control. As well as investing in energy-efficient technologies, we have concentrated on increasing production of on-site renewable energy, improving energy efficiency in our operations and the use of alternative sustainable fuels to generate energy. Our Scope 1 emissions account for 7.2% of the total.

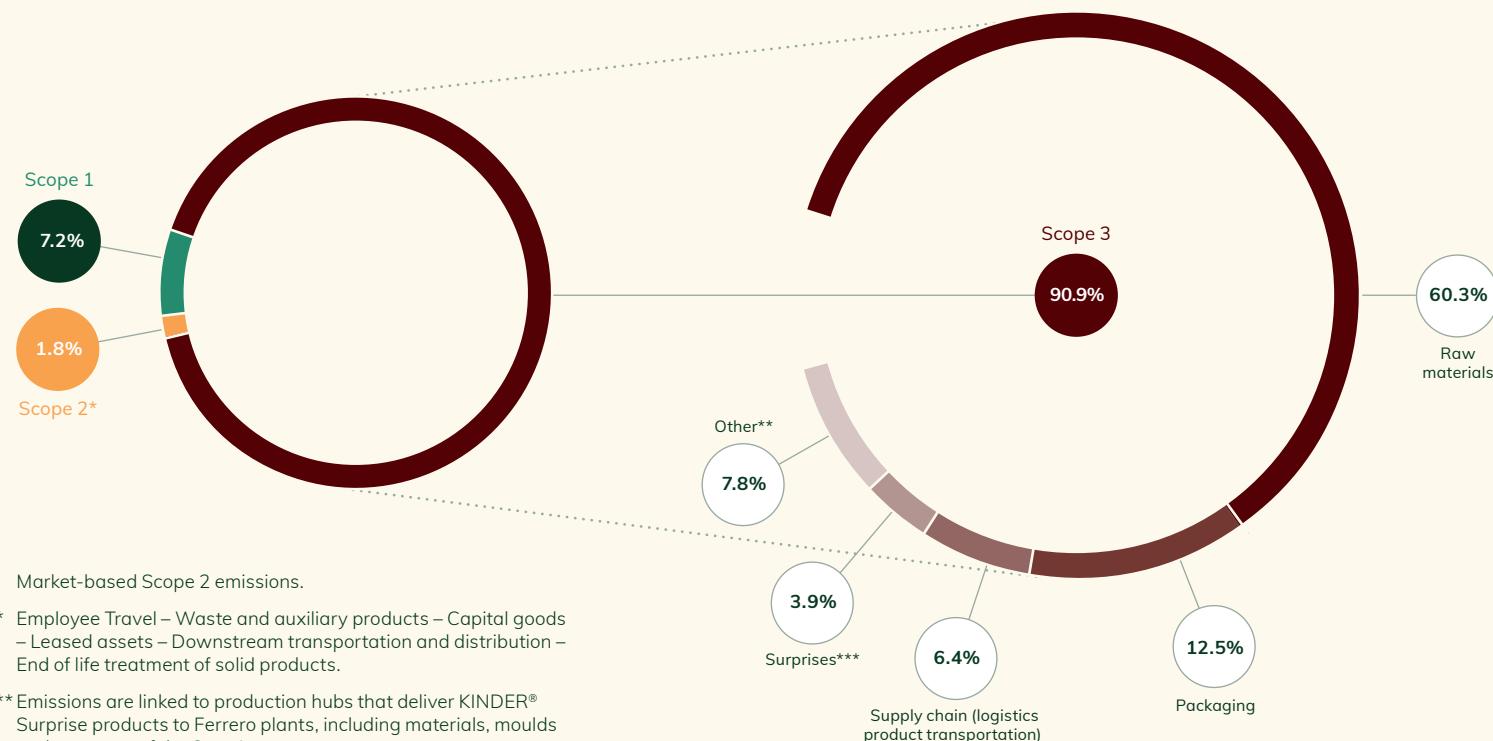
### Scope 2

Scope 2 refers to indirect emissions deriving from purchased electricity, heat and steam. They account for 1.8% of the total. We have the ability to achieve positive impact by reducing Scope 2 emissions in the short- to medium term. Our commitment to reduce the carbon footprint of our purchased energy has seen a gradual increase in the amount of renewable electricity purchased by our factories through green certification mechanism and, where feasible, exploring the PPA (Power Purchase Agreement) alternative.

### Scope 3

For FY 18/19, emissions for which we have indirect responsibility (Scope 3) totalled 5,914,157 tonnes of CO<sub>2</sub>eq equivalents, or 91% of our total emissions. This is the area that is most challenging as we often do not have direct control over the source of our Scope 3 emissions and many stakeholders are involved. At 60.3%, the cultivation and production of agricultural raw materials is our biggest source of Scope 3 emissions, followed by packaging at 12.5% and logistics product transportation at 6.4%.

### Our performance



\* Market-based Scope 2 emissions.

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

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

## Climate change continued

Our Scope 1 and 2 emissions have decreased by 3.5% in absolute value as we reached 100% of renewable electricity from grid in Europe. Our Scope 1,2 and 3 emissions have decreased by 1.4% in intensity, even considering our growth.

**OUR SCOPE 1 AND 2 EMISSIONS HAVE DECREASED BY 3.5% IN ABSOLUTE VALUE AS WE REACHED 100% OF RENEWABLE ELECTRICITY FROM GRID IN EUROPE.**

Emissions	FY 17/18	FY 18/19
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	tCO <sub>2</sub> eq.	6,440,127.59
GWP Scope 1 Emissions – Total emissions	tCO <sub>2</sub> eq.	466,433.22
GWP Scope 2 Emissions – Market based	tCO <sub>2</sub> eq.	141,446.80
GWP Scope 2 Emissions – Location based	tCO <sub>2</sub> eq.	276,455.92
GWP Scope 3 Emissions – Total emissions	tCO <sub>2</sub> eq.	5,832,247.57

## OPTIMISING TRANSPORT AND WAREHOUSES

We aim to optimise supply chain logistics to reduce emissions while supporting the continued growth in quantity and size of shipments to the market.



This includes limiting empty truck journeys and increasing the saturation of shipments. In some countries, collaboration with logistics suppliers has enabled optimisation of activities and, in others, we have introduced lower emission vehicles. For example, in Alba (Italy), a compressed natural gas (CNG) truck was used for short-distance journeys covering around 50,000 km a year. In Ghaziabad (India), three dedicated vehicles converted to CNG from diesel covered about 115,000 km during the year.

We also improve the sustainability of our warehouses through energy efficiency initiatives, investment in renewable energy and optimisation of warehouse activities and networks.

Distribution centres are continually updated to reduce their climate change impacts. New distribution centres have a major one-time impact due to the variety of Best Available Techniques that can be installed during construction, while existing facilities undergo improvement over time to address energy efficiency or renewable energy opportunities.

In FY 18/19, Ferrero opened new distribution centres in the USA to add capacity for Ferrero North America to distribute its growing portfolio of brands. In alignment with our commitments, these facilities include the best-practice energy saving solutions such as low emissions light and cooling systems and electric service equipment.

## Climate change continued

### ASSESSING THE CARBON FOOTPRINT OF OUR PALM OIL

In FY 18/19, Ferrero carried out a fully ISO 14044 compliant study to identify the environmental impacts of its palm oil sourcing.



The results, which have been peer reviewed, show that Ferrero's palm oil supply-base has lower GHG emissions<sup>2</sup> compared to RSPO-certified (-34%) and non-certified (-56%) palm oil.

The lower GHG emissions are due to three main factors: the higher average yields, the lower share of palm oil on peat soil and the significantly higher share of palm oil mill effluent (POME) that is treated with biogas capture. Detailed analysis of the results will allow us to identify additional improvement opportunities to reduce the environmental impacts of our palm oil.

**-56%**

GHG emissions<sup>2</sup> compared to non-certified palm oil

<sup>2</sup> Per kg of refined, bleached and deodorised (RBD) palm oil.

### LOOKING AHEAD

The climate emergency requires businesses to step up their commitment to reduce carbon emissions and help limit climate change. We will play our part by delivering a new set of climate change commitments for 2030.

#### Our targets for 2030

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

The first target covers 100% of Scope 1 and 2 emissions for our plants, warehouses and head office and aligns with a reduction pathway that is consistent with the challenging 1.5°C temperature-increase scenario. The second target covers the whole value chain – including almost 90% of our Scope 3 emissions.



We included all the main areas contributing to the group footprint, including: our key ingredients such as dairy, palm oil, hazelnuts, sugar, flour and cocoa; packaging; upstream logistics; and fuel and energy-related activities. These areas are challenging to address because they are outside of our direct control. However, we believe that, through engagement with our suppliers, we can build a shared journey to achieve this target.

Together, the two targets cover the majority of Ferrero's Scope 1, 2 and 3 emissions. We have developed a roadmap which sets out how we will achieve the first target covering Scope 1 and 2 emissions by 2030. For the second target, involving Scope 3 emissions, we will develop a multi-faceted approach that will include working with suppliers to reduce emissions, rethinking products and solutions and developing new products.

Our new commitment to make our packaging 100% reusable, recyclable or compostable by 2025 will contribute to achieving our target (see page 30). In some cases, we will consider prioritising lower emission suppliers and we will investigate opportunities to integrate investment activities to reduce emissions in our agricultural supply chains.

## Energy

**The International Energy Agency (IEA) defines energy efficiency as “the first fuel of a sustainable global energy system”. Around the world, public policy is evolving as a key driver for achieving the Paris Agreement. For example the EU has established a headline energy efficiency target for 2030 of at least 32.5%.**

**E**nergy efficiency is our main lever for reducing emissions and, at the same time, reducing costs and improving the performance of our operations. We pursue energy efficiency by focusing on several key areas:

### Management and behaviours

Certified ISO 50001 management system – we have implemented a Group management system aimed at the continuous improvement of energy efficiency.

Energy waste hunting – activities to raise awareness and save energy, such as the “Green Stop” programme which ensures unnecessary equipment is shut down during production stops.

# 100%

Green electricity purchased in Europe  
(FY 17/18: 73%)

### Investment in technology

We invest assets and projects to optimise our operations according to the best available techniques. Projects are identified through scientific assessment and engagements such as energy audits, technical assessments, employee workshops and best practices shared through our internal auditors and energy experts. Technical projects include:

- installation of high-efficiency motors, LED lighting and energy meters;
- optimisation of cooling energy production units, compressed air generation and distribution and ventilation and conditioning systems;
- waste heat recovery from our process operations; and
- thermal insulation of pipes and valves.

### Our performance

#### Renewable energy in operations

We have targeted investments towards increasing production of on-site renewable energy and use of alternative sustainable fuels. In August 2019, we self-produced 48% of the electricity and 51% of the thermal energy used in our operations.

In FY 18/19 we installed photovoltaic plants at four plants: San José Iturbide (Mexico), Sant'Angelo dei Lombardi (Italy), Lithgow (Australia) and Poços de Caldas (Brazil) – adding more than 500 kW to the total power installed across our plants.

As more renewable energy projects come online, we expect to see a continual reduction in emissions from our direct operations.

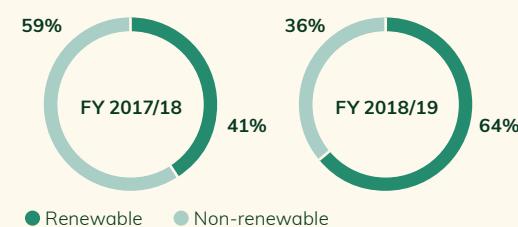
### Green energy

In FY 18/19, our sites at Alba (Italy), Pozzuolo (Italy), Balvano (Italy), S. Angelo (Italy), Brantford (Canada), Villers-Écalles (France) and Alfreton (UK) committed to purchase only green electricity certified by guarantee of origin (GO), joining sites which were already doing so at Arlon (Belgium), Belsk (Poland), Cork (Ireland) and Stadtallendorf (Germany).

Our plant in Alfreton (UK) was our first plant with 100% power and gas purchased from the grid with REGO (Renewable Energy Guarantees Origin) and RGGO (Renewable Gas Guarantee of Origin) certificates respectively.

Energy	Unit	FY 17/18	FY 18/19
Green energy consumption	%	13.7%	<b>19.0%</b>
Purchased electric energy certified renewable	%	41%	<b>64%</b>
Energy intensity ratio	GJ/t	8.4	<b>8.4</b>

### Purchased electricity at Group level\*



\* Excluding the warehouses the percentages are:  
FY 2017/2018: 43% renewable and 57% non-renewable;  
FY 2018/2019: 67% renewable and 33% non-renewable.



## GOING SOLAR IN AUSTRALIA

In August 2019, Ferrero Australia completed the installation of a 220 kWp solar photovoltaic system on the roofs of its Lithgow production building.

100% of the energy generated by the solar system is consumed by the factory. The system covers an area of about 1,500 square meters and generates energy equal to 330 MWh per year. With an annual reduction of CO<sub>2</sub>eq emissions of around 335 tonnes, the solar panels provide enough renewable energy to meet the daily needs of approximately 260 households.

## Water stewardship

**Water is a precious shared resource that sustains communities, ecosystems and biodiversity. But freshwater resources are coming under increasing pressure from the impacts of climate change and the competing demands of communities, agriculture and industry.**

Our long-term success depends on having sustainable access to water in the areas where our raw materials are sourced, where our factories are located and where our stakeholders live. Ferrero's activities have indirect and direct impacts on water: from the production of agricultural raw materials and packaging to its use in production processes (for cooling and, in smaller amounts, washing) and as an ingredient in our products. As climate impacts continue to increase pressure on water resources, smart solutions are needed to conserve current water supplies and secure future ones.

### How we manage our water consumption

We began carrying out water audits at our plants in 2018 to identify opportunities for improvement. In 2019, we launched a collaboration with the Polytechnic University of Turin (Italy) aimed at defining a method for determining water risk in the regions in which our factories are located. The collaboration covers a detailed investigation of the water supply sources of our factories.

### Wastewater treatment

We treat the water used in our production processes in wastewater treatment plants – either municipal plants or our own plants. We focus on reducing pollutants in our wastewater by improving treatment systems through more efficient technologies, finding alternative or more efficient washing methods, and using more ecological products.

### Reuse and recycling

We promote water recycling and reuse within our production and our utilities processes. During the construction and upgrade of wastewater treatment plants, we pay great attention to the possible reuse of water through treatments such as ultrafiltration and reverse osmosis to collect water which can be reused for secondary purposes, such as in cooling towers and boilers.

One of the challenges we face is balancing the trade-offs of different activities designed to deliver improvements in the sustainability of our operations. For example, investments in reducing water consumption can require higher energy use. We are carefully managing these trade-offs as we develop our strategy and make investment decisions.

### Our performance

Our water consumption ratio for FY 18/19 was 4.38 m<sup>3</sup>/tonne. Water intensity increased by around 1% on the previous year, mainly due to the water used for cooling purposes during the summer in 2019 which was one of the warmest on record, as well as the impact of new production lines. Several projects and actions were deployed in our plants to contain this increase in water consumption.

Water		FY 17/18	FY 18/19
Water consumption	m <sup>3</sup>	5,141,108.21	<b>5,330,058.80</b>
Water consumption ratio	m <sup>3</sup> /t	4.33	<b>4.38</b>
Wastewater	m <sup>3</sup>	3,282,469.32	<b>3,367,387.23</b>

## REDUCING OUR WATER IMPACTS IN ECUADOR



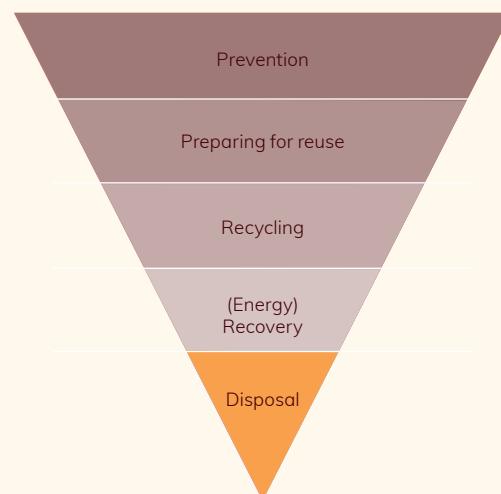
At our Quito plant in Ecuador, we completed the construction and startup of a new industrial water treatment plant. With a capacity of 60 m<sup>3</sup>/day, the plant consists of a pre-physical and chemical treatment, evaporation, biological treatment and membrane bioreactor (MBR) filtration process. Thanks to the incorporation of new technologies and activities to reduce water consumption in production, the quantity of water discharged has been reduced and the quality of the effluent discharged from the industrial plant has improved.

## Waste management in our manufacturing plants and warehouses

**Waste materials can be a valuable resource. We apply the principle of circularity to keep resources in use for as long as possible – extracting maximum value, reducing environmental impacts and helping to conserve natural resources.**

Our main waste streams from our operations are paper, plastic and cardboard, as well as the organic waste that arises from making our products. We manage our waste according to the waste hierarchy, firstly eliminating waste in our operations and prioritising recycling and reuse. We pursue a Zero waste to landfill approach and we are exploring new ways to reuse and recycle our waste.

### Our waste management hierarchy



All our operations have local waste management reduction targets and we constantly look for opportunities to reduce waste and put it to use in other applications.

### Our performance

As we continue to expand our business, we will see an increase in our absolute waste volumes. Challenges include finding destinations for our waste streams in different markets which depends on the existence of technology and infrastructure to enable recycling and secondary reuse.

In FY 18/19, we succeeded in reducing our waste production ratio from 90 kg/tonne to 82 kg/tonne. Our waste recovery rate was 96.8%, an improvement of more than 2% on the previous year. This was mainly achieved through initiatives deployed in some plants to increase production line efficiency and engage suppliers to find more sustainable treatment solutions.

Several plants greatly improved their percentage of recovered waste. For example, our Poços de Caldas site (Brazil) achieved a 13% increase to 89% recovery by recovering waste that was previously sent to landfill for composting or use in energy production.

Seven factories achieved at least 99.9% recovery: Alfreton (UK), Arlon (Belgium), Cork (Ireland), Stadtallendorf (Germany), Hangzhou (China), Manisa (Turkey), Villers-Ecalles (France).

Waste	FY 17/18	FY 18/19
Waste production ratio	kg/t	90.41
Total waste	t	107,456.96
Percentage of recovered waste	%	94.6%
		96.8%

**One of the foundations of a circular economy is the recovery and reuse of waste materials to create value.**

Achieving it requires close cooperation between partners in the waste value chain.

For some years, our Balvano and Sant'Angelo dei Lombardi plants (Italy) have recycled residues from the production process with the help of specialised partners. The residues are collected and used to create "Solid Ecopower", a material that is used in biodigestion plants to produce electricity. In FY 18/19, the sites recovered 578 tonnes of residues and produced 156,148.74 m<sup>3</sup> of methane and 624,594.97 KWh of electricity.



## Manufacturing plants' compliance and certification

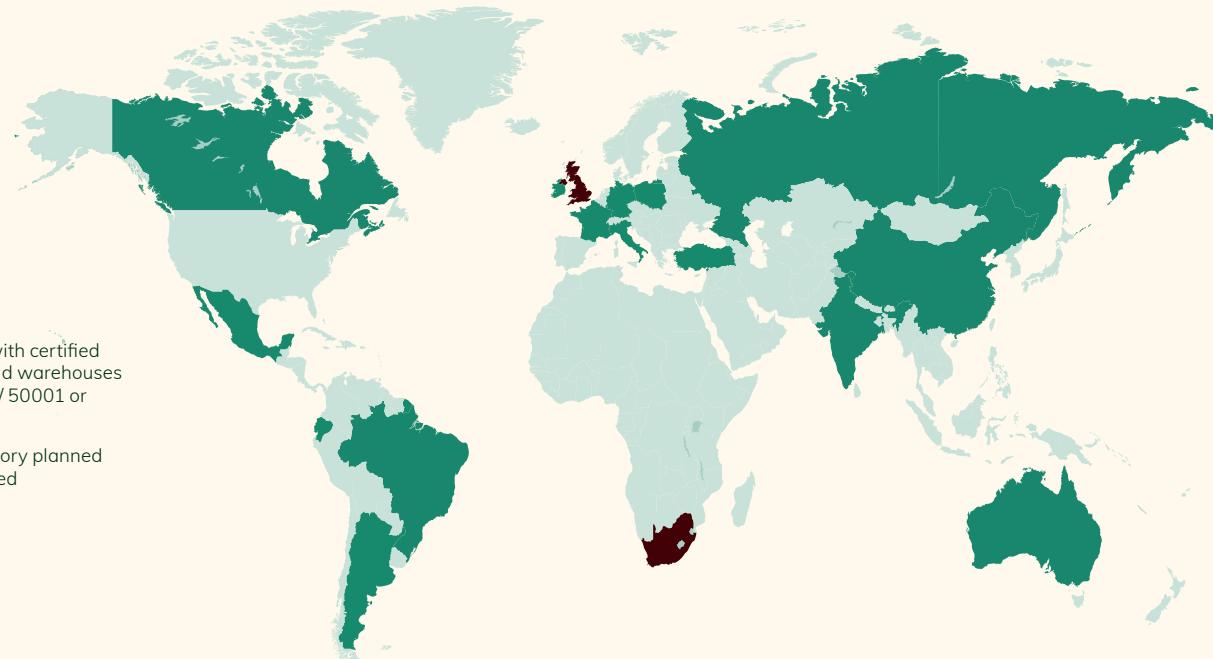
Ferrero is committed to ensuring the compliance of its operations with all applicable environmental and energy laws, regulations, standards and other requirements such as site permits. Compliance monitoring is supported by external ISO 14001 and ISO 50001 certification audits and Sedex Members Ethical Trade Audit (SMETA) assessments.

Our Environmental Management System (EMS) has been certified in compliance with the worldwide recognised ISO 14001 standard since 2012.

We committed to achieve Group certification against the ISO 50001 standard for energy management for the 17 production sites active in August 2014 – excluding the plants of the Michele Ferrero Entrepreneurial Project and including power generation plants. In 2016, we achieved multi-site certification in accordance with the ISO 50001 standard for energy management.

At the end of FY 18/19, following the inclusion of the Hangzhou plant (China), 19 of our factories and 10 warehouses were ISO 14001 certified. As per our medium-term plan, we will extend ISO 14001 certification to all operations plants including Walkerville (South Africa) and Alfreton (UK). With the recent addition of Balvano (Italy), Pozzuolo Martesana (Italy), Poços de Caldas (Brazil) and Hangzhou (China), 15 plants are now ISO 50001 certified.

### ISO 14001 and ISO 50001 certification



For certification purposes, 19 internal audits were carried out at Group level, 14 of which jointly concerned the ISO 14001 and ISO 50001 standards. According to the Programme of Internal eXchange of Auditors (P.I.X.A.), which promotes sharing of know-how and best practices within the Group, 23 cross-auditors participated in audits.

### Operations audits and compliance

All operations plants undergo a yearly audit to verify the four-pillar standard within the SMETA audit approach – a methodology using best-practice ethical audit techniques to help auditors conduct high-quality audits that encompass all aspects of responsible business practice, covering the four pillars of labour, health and safety, environment and business ethics. SMETA audits conducted in FY 18/19 demonstrated the highest compliance level for environmental standards.

### Compliance in logistics

Transportation is continuously and rapidly developing towards more sustainable practices with proper risk management in many dimensions. Ferrero signed the Transport Compliance Rating (TCR) in 2019 to ensure business continuity and sustainable practices. This new compliance protocol is developed in cooperation with Ferrero protocol for assessing transport and logistics and connects relevant stakeholders across the supply chain to analyse relevant aspects of transport companies using a holistic and consistent approach.

## Packaging

Packaging is one of the biggest challenges facing the food and drink industry. Consumer awareness around issues such as climate change and plastic waste is driving up demand for sustainable packaging, along with new directives and regulations in markets around the world.

**A**s shown in our materiality assessment, sustainable packaging is an important topic for our business and our stakeholders. Our packaging is an essential enabler for delivering an outstanding taste performance to consumers. It plays a crucial role in ensuring food safety and quality, reducing food waste and communicating transparent information to consumers.

Ferrero currently uses around 37% paper and cardboard and 36% glass in its packaging, followed by 20% rigid plastic (see chart). When considering the whole lifecycle of a Ferrero product, the packaging contribution to overall CO<sub>2</sub>eq emissions is 12.5% on average<sup>3</sup>. However, we need to take a balanced view when assessing the impacts of our packaging. The food waste that would occur if products were not properly protected by packaging could generate much higher potential environmental impacts than the packaging itself.

## WHY DO WE NEED PACKAGING?

Packaging plays a vital role in protecting and preserving products for consumers.



Packaging preserves food from external contaminants and guarantees taste and quality by preventing spoilage and allowing transport, storage and distribution. Our packaging complies with the most stringent regulations on food contact materials. Consumer safety and product quality are always our priority.

Packaging acts as a protective barrier, reducing exposure to the environment, keeping food and drinks safe for longer, giving consumers more time to enjoy their food. Re-sealable packs continue to keep food fresher for longer after opening.

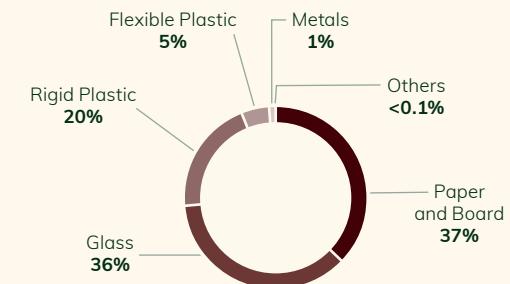


Packaging differentiates our brands on the shelf and provides mandatory and voluntary information to help empower consumers to make informed choices. This includes nutrition labelling, Reference Intakes, recycling indications and other information.

Products are provided in a wide variety of portion sizes to fit intended occasions. Individually portioned packs are important to help consumers enjoy the foods they love, as part of a balanced and varied diet.



### Materials used for packaging applications (FY 2018-19)



### Our approach

Consumer safety and product quality are at the centre of decisions when we design our packaging. As part of our commitment to offering the highest-quality food and drinks, we are committed to increasing the circularity of our packaging. We use fact-based data and invest time and resources in developing projects and exploring opportunities to overcome the barriers to circular packaging. This means testing solutions in real conditions, including end of life, and going the extra mile when it comes to consumer safety and product quality.

Reimagining products and packaging to meet the expectations of consumers requires putting innovation at the centre of our efforts, collaborating with relevant partners along the value chain, engaging global and local suppliers and partners and partnering with key stakeholders to contribute to the definition of guidelines and testing protocols for the evaluation of packaging materials. It also means engaging and educating consumers, the final key element of a successful shift towards a more circular economy.

<sup>3</sup> Data has been calculated based on the lifecycle of Ferrero main products (excluded products with Surprises).

## Packaging continued

### RETHINKING THE KINDER JOY SPOON

Kinder Joy packaging is already mainly made of recyclable plastic and we are working to make it completely recyclable.



In early 2019, we ran a number of sustainability workshops to generate new project ideas by rethinking our packaging according to the Ferrero 5Rs approach<sup>5</sup>. One of the ideas put forward by Ferrero in-house packaging designers, Diego and Roberta, was the Kinder Joy Paper Spoon. Their idea was to avoid the use of plastic by replacing the spoon with a 100% paper one, made from renewable sources and fully recyclable in the paper stream.

As for all our projects that aim to improve the recyclability of our packaging, our designers followed the Ferrero Recyclability Assessment – a three-step process that begins with applying eco-design guidelines to avoid elements detrimental to recycling, through assessment using online tools to identify potential improvements and, finally, testing recyclability in practice and at scale in real recycling plants.

We estimate that, once the roll out is completed, the new paper spoon will deliver an estimated 45% reduction on our Kinder Joy spoon carbon

footprint with a plastic reduction of over 1,500 tonnes per year versus the current spoon. It is fully recyclable and achieves CLASS A certification<sup>4</sup>, meaning the output recycled material is of excellent quality for second use. The new Kinder Joy spoon, which is 100% recyclable, delivers on the Ferrero commitment and will be phased to all EU countries early in 2021, and globally starting in 2022.

<sup>4</sup> <https://aticelca.it/>: Evaluation method 501:2019: assessment of the recyclability of cellulosic materials and products based on standard UNI 11743:2019

### Our performance

In FY 18/19, 81.7% of Ferrero packaging was recyclable, reusable or compostable, including plastic packaging, glass, paper, cardboard, aluminium, wood and other materials.

We aim to use recycled materials in our packaging where regulation, quality requirements and technology allow. This is already the case for glass and paper materials for selected applications.

Where we cannot use recycled paper, our sourcing strategy requires suppliers to give us only virgin paper and cardboard from sustainable certified sources. For glass and plastics, we aim to maximise recycled content according to regulatory frameworks and supply chain availability. For example, we use over one-third recycled glass in our Nutella® jar and up to 90% of recycled plastic in our praline plastic displays.

Packaging	FY 17/18*	FY 18/19
Recycled materials in packaging	% 33.9%	<b>34.2%</b>
Renewable materials in packaging	% 36.9%	<b>36.9%</b>
Reusable, compostable or recyclable packaging	% 81.7%**	<b>81.7%</b>

\* Values 17/18 have been restated compared to those included in CSR Report 2018 due to a scope change.

\*\* Not subject of the third-party external assurance of this report.

### LOOKING AHEAD



#### Our 2025 commitment

- All packaging 100% reusable or recyclable or compostable by 2025.

As part of our support for the circular economy, in 2019 Ferrero announced a commitment to make its packaging 100% reusable, recyclable or compostable by 2025. As part of this announcement, we signed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment, reflecting our ambition to play an active role in eliminating problematic and unnecessary plastic packaging through redesign and innovation.

Before we set out on our ambitious journey, we carefully analysed our existing packaging to identify specific projects to achieve our goal. We set our baseline in FY 17/18 when we purchased nearly 460,000 tonnes of packaging materials, of which 81.7% was compostable or reusable or widely recyclable at scale.

To reach this challenging goal, our packaging designers need to carefully think how to choose and combine materials in a way that the final packaging can be successfully disposed of, collected, sorted and processed. We have been working on our 5Rs<sup>5</sup> guidelines for years and we now have a rich funnel of projects to remove unnecessary packaging, reduce packaging weight or promote reuse of our packaging.

5 For details on 5Rs and projects see our website.

## Packaging continued

### A LOOK TO THE DEFINITIONS

Quantitative objectives require clear reference definitions:

**Recyclable packaging** has been designed to be successfully collected after use, sorted, and recycled, in practice and at scale. Recycling is a manufacturing process used to obtain secondary (recycled) raw material, which excludes energy recovery and the use of the packaging as a fuel.

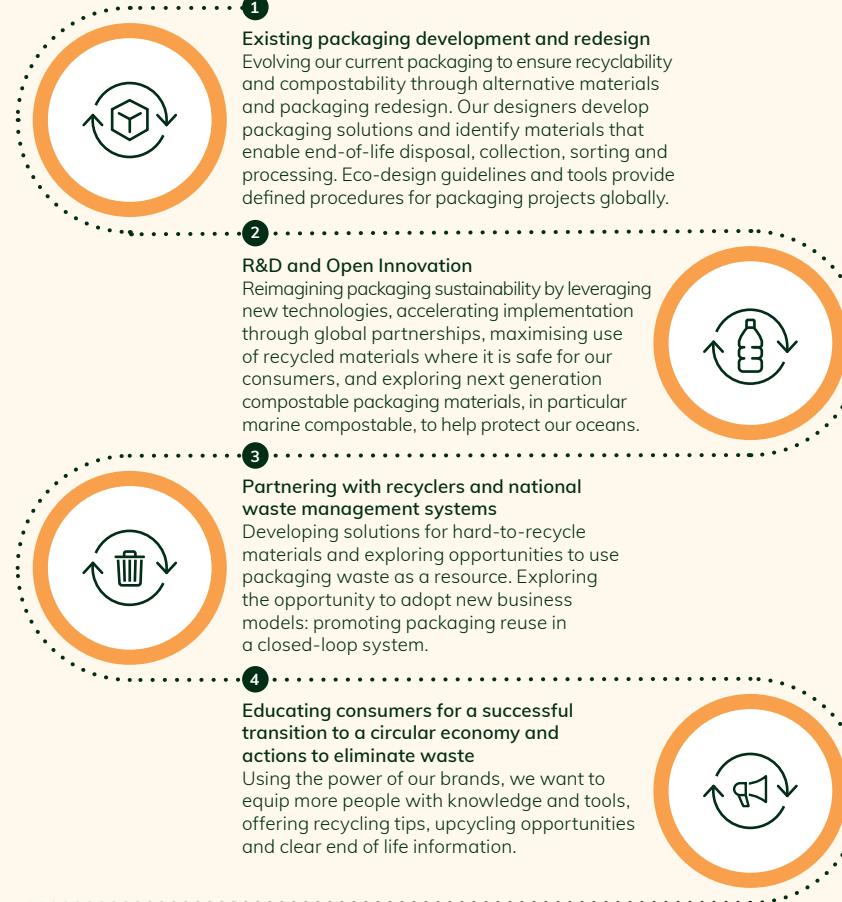
**Reusable packaging** has been designed to accomplish a minimum number of trips or rotations in a system for reuse, so that the packaging is refilled or used for the same purpose for which it was conceived.

**Compostable packaging** has been designed to be successfully collected after use, sorted, and composted, in practice and at scale. Compostable packaging is made of materials which biodegrade under specific or controlled conditions (e.g. forced aeration, temperature, etc.).

We have kicked off new, ambitious project streams with a clear roadmap that will lead us to revisit our packaging portfolio to be 100% recyclable, reusable or compostable by 2025. The first projects are well underway and will reduce the gap to the end-goal.

<sup>6</sup> Sources: ISO 18603:2013 – adapted; ISO 18604:2013 – adapted; COM (2018) 35 final.

### Our roadmap to 2025 focuses on a number of key areas



## DESIGNING A NEW FLEXIBLE PLASTIC PACKAGING

While the majority of plastic flexible packaging is potentially technically ready for recycling within existing EU plastic streams<sup>7</sup>, packaging structures which combine different materials may present a problem for existing recycling technology. We used the LCA approach to select new structures for flexible plastic packaging to find the better solution.

As a result, we have developed a fully recyclable mono-material flexible packaging for a specific application, able to deliver the same quality performance

# 23%

reduction of CO<sub>2</sub>eq emissions compared with the previous flexible multi-material

<sup>7</sup> Source Ceflex.eu.

<sup>8</sup> Results refer to the unit of 1m<sup>2</sup> of flexible packaging typically used in food contact applications (wrapping) and do not take into account the impact of the food product.

## Packaging continued

### Partnerships and collaborations

To achieve our challenging packaging commitments, we must engage all actors in the packaging supply chain – from municipalities to recyclers and consumers. Investments in research and development (R&D) and Open Innovation, along with commitments to industry partnerships, are helping to drive the Ferrero strategy to ensure plastics never become waste, without compromising the quality and freshness of our products.

We engage in partnerships in different geographies around the world, aiming to harmonise material guidelines definitions, support innovation, material and technology developments, and drive global commitments. This also helps to ensure our approach to design and consumer information is consistent and efficient. We contribute via working groups in some of these partnerships towards the development of testing protocols for the recyclability of materials that are relevant to our current and future projects.

### Examples of our key partnerships and collaborations include:

**Ellen MacArthur Foundation Global Commitment (Global)** – launched in October 2018 with the main purpose to defeat plastic waste and pollution. Over 450 businesses, governments, NGOs, universities and other organisations worldwide have joined the commitment to eliminate surplus plastic items, to innovate using plastics designed taking environmental impacts into account, and to circulate used materials in the value chain.

We share the Foundation's vision of a circular economy for plastics, where plastics never become waste, and we want to play an active role to eliminating problematic or unnecessary plastic.

**Circular Plastic Alliance Declaration (Global)** – launched by the European Commission in December 2018 to help plastics value chains boost the EU market for recycled plastics to 10 million tonnes by 2025. The Alliance includes over 175 organisations representing industry, academia and public authorities and is open to all public and private actors from European plastics value chains. We joined the Alliance to actively contribute to achieving the ambitious European target.

**GO!PHA (Global)** – a non-profit organisation aimed to accelerate the global development, commercialisation and adoption of Polyhydroxyalkanoate (PHA) polymers. These are among the most promising polymers for the development of new generation, environmentally compostable materials. As a member, we contribute and collaborate to accelerate the PHA-platform industry.

**RecyClass (EU)** – an initiative promoted by Plastics Recyclers Europe (PRE) that aims to support packaging designers and manufacturers design recycling guidelines for plastic packaging products in Europe. Through this collaboration, we are working on new testing protocols for materials of interest for future development in Ferrero.

**Ceflex (EU)** – a collaborative initiative of companies representing the entire value chain of flexible packaging. Through this partnership we aim to contribute to the development of the supply chains for flexible films recycling across EU.

**Association of Plastic Recyclers (USA)** – a trade association that promotes development of the plastics recycling industry by providing leadership for long-term industry growth and vitality. We are collaborating on design guidelines and recycled material availability in USA.

**How2Recycle (USA)** – they drive an on-pack recycling label scheme to give clear, consistent indications to US and Canada consumers on what to do with the packaging material after use. Thanks to this partnership, we commit to have clear recycling information on our packaging.

## OUR PARTNERSHIPS AND COLLABORATIONS NOBODY WINS ALONE

Our efforts to achieve these targets are brought to life through strong collaboration with partners from across industries to drive innovation in packaging development.

GLOBAL				
REGIONAL				
LOCAL				

## Packaging continued

### Engaging with consumers

Consumers have an important role to play in the circular economy of packaging, yet access to information on how circular waste systems work and how people can help eliminate waste is not always readily available. We design our packaging to protect food and preserve quality, meet consumer expectations and be sustainable. This includes taking responsibility for ensuring products that we claim to be recyclable actually end up being recycled.

We use the power of our brands to equip consumers with ideas, knowledge and tools so that they can contribute to the circular economy. For example, Nutella® has been actively promoting the sustainable practice of upcycling, where secondary use is granted to packaging, sometimes through the development of additional components which turn one packaging into something else. In Germany, this included offering seeds inserted in the lid of the Nutella® jar to re-use the jar to grow plants. Our Rocher Tin Balls project aimed to give our packaging a second life. After eating the pralines, the packaging can be used as a Christmas decoration, year after year.

The Tin Balls project was born as a new and innovative idea to replace the existing Christmas star decoration items in pralines. We decided to develop something in tinplate with special graphics and premium colours, because this truly offers the consumer something new and different to decorate a tree.

The project is now underway; since Christmas 2019 it is deployed in many countries in Europe and has also been tested in America.

The "Easter" version was also born from this project, with hanging eggs-shaped tins for the German market.

We add an end-use label on our packaging, using simple icons to communicate the material that it is made of so that waste can be sorted. Our labelling system does not indicate to the consumer where to dispose of the packaging because sorting management systems vary between continents, countries and geographies. We closely monitor evolving regulations to harmonise information across countries and are gradually increasing our use of icons on packaging in countries where end of life packaging labelling systems are established.

66

## CONSUMERS HAVE AN IMPORTANT ROLE TO PLAY IN THE CIRCULAR ECONOMY OF PACKAGING.

99

### RICICLETTA: THE POWER OF RECYCLING

A new life for 800 empty cans: becoming a bicycle!

A photograph of a bicycle that has been entirely constructed from recycled materials, specifically 800 aluminum cans. The frame, wheels, handlebars, and seat are all made of a shiny, metallic material. The bicycle is positioned outdoors, with a banner in the background that reads "RICICLETTA" and "realizzata con il recupero di 800 lattine". The background shows a beach setting with a red banner for the "JOVA BEACH PARTY 2019".

Estathé, together with the CIAL (Consorzio Italiano Alluminio), has created a series of exclusive bicycles under the special brand of Ricicletta! During the Jova Beach Party event last summer, EstaThè donated bicycles from recycled Alu to the WWF.

For each stage of the Jova Beach Party a unique Ricicletta was created, personalised with the date and place of the concert and donated by Estathé to the WWF, which in turn put it up for

auction to raise funds and finance environmental sustainability activities in Italy.

Modern, with an attractive, light and practical design, these bikes best express the environmental values that citizens care about most:

- Packaging collection and recycling.
- Tangible recycled material reuse in new objects or packaging in our everyday life.
- Sustainable mobility.

After this experience, Estathé is preparing to give continuity to the project, making several Riciclette available to colleagues from Ferrero in Alba, to facilitate travel from the offices to the production centre, offering a sustainable mobility service with zero environmental impact, promoting a healthy lifestyle and continuing to create awareness around the importance of recycling.



# SOURCE INGREDIENTS SUSTAINABLY FOR THE BETTER

We care about the sourcing of our ingredients.  
We will build a thriving supply chain by empowering  
the farmers and communities we source from and  
preserving their environment.

## How we source ingredients sustainably for the better

### WHY DOES IT MATTER?

Responsibly sourcing safe, high-quality ingredients is crucial to our products and our stakeholders. The business benefits of sourcing responsibly are clear – it helps to ensure the high-quality we are looking for, reduces risk, drives innovation and promotes transparency in our supply chains. Responsible sourcing also benefits the farmers we source from and their communities – improving livelihoods, increasing financial resilience and addressing systemic issues such as child labour and deforestation.

### OUR APPROACH

Our responsible sourcing approach is built around traceability, certifications and standards, partnerships and collective engagements, supplier management and robust due diligence.

We carefully assess the risks and opportunities for each raw material to identify the best way to source it sustainably. We apply a deep understanding and knowledge of our ingredients including their origins, the stakeholders involved and the processes they undergo.

We launched our Ferrero Farming Values (FFV) programmes in 2013 to achieve our ambition of developing a sustainable supply chain for each of our main raw materials. Each FFV programme focuses on the key sustainability impacts for our main raw materials – cocoa, palm oil, hazelnuts, cane sugar, eggs and milk.

66

**WE LAUNCHED OUR FERRERO FARMING VALUES (FFV) PROGRAMMES IN 2013 TO ACHIEVE OUR AMBITION OF DEVELOPING A SUSTAINABLE SUPPLY CHAIN.**

99

### Traceability and certification

We can only meet our commitment to provide products of the highest quality that are produced in a responsible way if we know from where our raw materials originate and how they were produced. Traceability is essential to build a fair and sustainable supply chain and to mitigate potential issues. We expect our suppliers to address this topic with equal care.

We source raw materials from hundreds of thousands of smallholder farmers and we aim to reach, engage and understand them to identify the specific challenges they face and provide the right support. Farmer mapping is an important tool for improving the traceability and sustainability of raw materials like cocoa, palm oil and hazelnuts. Knowing the locations and size of farms makes it possible to trace raw materials to farm gate level. This allows us to know where raw materials were grown, by whom and how – so that we can target our interventions to support sustainable livelihoods and ensure we do not source from farms where there are risks of issues such as deforestation, child labour and forced labour.

Certification schemes, when available, are central to our approach. Certified materials are confirmed by third parties to have met specific sustainability standards set by independent bodies and certification programmes.

### Policies and standards

We expect our business partners to uphold our Code of Business Conduct and our Human Rights Policy Statement, which lays out our expectations. To strengthen our approach, we recently published a Supplier Code, which allows us to engage our suppliers on a journey of continuous improvement, working towards a supply chain that is fair, sustainable and transparent. It covers the three pillars of: Human rights and social practices; Environmental protection and sustainability and; Supplier transparency. Our due diligence-based approach will ensure suppliers align with the objectives of the Supplier Code. They are key partners in ensuring the criteria we apply across our supply chain are applied across their own supply chains.



[Download our Human Rights Policy Statement](#)

[Download the Ferrero Code of Business Conduct](#)

[Download the Ferrero Supplier Code](#)

## How we source ingredients sustainably for the better continued

### Supplier management

Supplier management enables us to find ways to measure and improve the practices of suppliers to address human rights, labour issues, environmental protection and transparency. It includes risk and opportunities analysis, compliance and improvement, and capability building.

Our evolving due diligence-based approach aims to ensure all our suppliers are aligned with the Supplier Code. Each supplier is assessed to identify, prevent and mitigate related risks. Our due diligence-based approach comprises three steps: prioritisation, assessment and verification, and audit. Depending on the results and risk categories, we may ask suppliers to undergo internal or third-party audit and assessments – such as risk and impact assessments, certification and accreditation – to ensure they are operating in line with our standards.

Among our tools, since 2015 we have been working with the Supplier Sustainability Assessment platform EcoVadis and the third-party audit management platform Sedex.

The EcoVadis Supplier Sustainability Assessment Platform methodology covers 21 criteria across four main themes of environment, social, fair business practices and sustainable procurement practices. In the period 2015–2019, we launched assessment campaigns for the procurement categories: raw materials, packaging and logistics. To date, around 730 suppliers have been invited and more than 480 assessed. The overall average score is 49.9/100, compared with the EcoVadis average of 42.4.

We also engage with our suppliers using SMETA (the Sedex Members Ethical Trade Audit) methodology. Sedex is a global non-profit membership organisation and a collaborative platform for sharing data on supply chains. Its platform, Sedex Advance, allows us to request and verify availability of social audit reports from our suppliers covering four key areas: labour standards, health and safety, environment and business ethics.

### Partnerships and collective engagements

We also realise that we cannot effect the change that is needed alone and we see partnerships and collaborations with our suppliers, NGOs, scientists, universities, local and national authorities, peer companies and other industry stakeholders as fundamental to achieving our ambitions.

### OUR 2020 COMMITMENTS

2020 Goals	Progress
<b>100% cocoa certified as sustainable</b>	 In progress
<b>100% sustainable palm oil certified RSPO as segregated</b>	 Achieved Achieved in 2015 and maintained
<b>100% traceability of our sourced hazelnuts</b>	 In progress
<b>100% refined cane sugar from sustainable sources</b>	 In progress
<b>100% eggs from barn hens with respect for animal welfare (2025)</b>	 EU plants: Achieved  Non-EU plants: In progress

## Cocoa

# COCOA

**Cocoa is a fundamental ingredient in Ferrero's products and we specify strict quality standards in our sourcing of cocoa, often surpassing industry standards.**



**C**ocoa is produced in the tropical zones of Africa, South America and Asia by four to five million smallholder farmers. Including their families, that means 40-50 million people making a living from cocoa. About half of the four to five million cocoa farmers live in Côte D'Ivoire and Ghana. These neighbouring countries in West Africa together account for more than 60% of the total world cocoa production of 4.5 million tonnes.

Ferrero operates three plants where we process cocoa beans, using our distinctive know-how to produce cocoa butter, liquor and powder in the right way to give our products their unique taste. The cocoa beans delivered to our manufacturing plants must pass meticulous quality checks at different stages in the supply chain before being accepted and used as ingredients in Ferrero products.

### What are the challenges?

Cocoa farmers can face significant challenges when it comes to making a secure and sustainable living. The average age of cocoa farmers in West Africa is 50 years and the challenges they face include limited agricultural knowledge and poor access to equipment and resources. Poverty rates are high and the majority of small-scale cocoa farmers earn an income that is below the poverty line set by the World Bank.

Poverty is a significant driver of the root causes of systemic issues in major cocoa producing countries like Côte D'Ivoire and Ghana – including child labour, forced labour and deforestation.

Breaking the poverty cycle and making cocoa a profitable business for farmers is the key to driving sustainable, long-term change for farmers and their communities. The focus needs to be on taking care of today's cocoa farmers and inspiring youth to become the cocoa farmers of the future. It is a complex and systemic challenge that no one player can solve by working alone, requiring a multi-stakeholder approach that spans the entire cocoa supply chain.

### Our approach

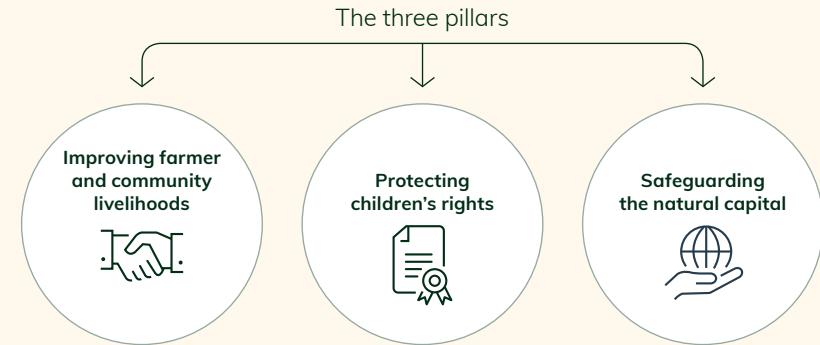
Ferrero is committed to taking responsibility and actively contributing to a sustainable and responsible cocoa supply chain. We do this through the Ferrero Farming Values Cocoa Programme to improve farming practices and help cocoa farmers secure sustainable livelihoods. The first priority is to support the farmers and communities in our direct supply chain, mainly in Côte D'Ivoire and Ghana, for which we are accountable as part of our due diligence.

Implementing partners help to deliver our objectives on the ground – including direct suppliers, farmer groups and NGO partners, such as Save the Children. Beyond our direct supply chain, we contribute to collective engagements and partnerships to drive sustainability improvements across the cocoa value chain. Ferrero is a long-time member of the World Cocoa Foundation (since 2005) and the International Cocoa Initiative (since 2008). We are a founding member of CocoaAction and the Cocoa & Forests Initiative.

The Ferrero Farming Values Cocoa Programme is an integrated programme based on three pillars and supported by a foundation of traceability and certifications.

In FY 18/19, over 100,000 farmers were part of the Ferrero Farming Values Cocoa Programme and over 85% of farms were mapped to ensure traceability to farm gate level.

### Ferrero Farming Values Cocoa Programme



Long-term relationships with farmer groups – certified, mapped and traceable cocoa

## Cocoa continued

### Certifications and traceability

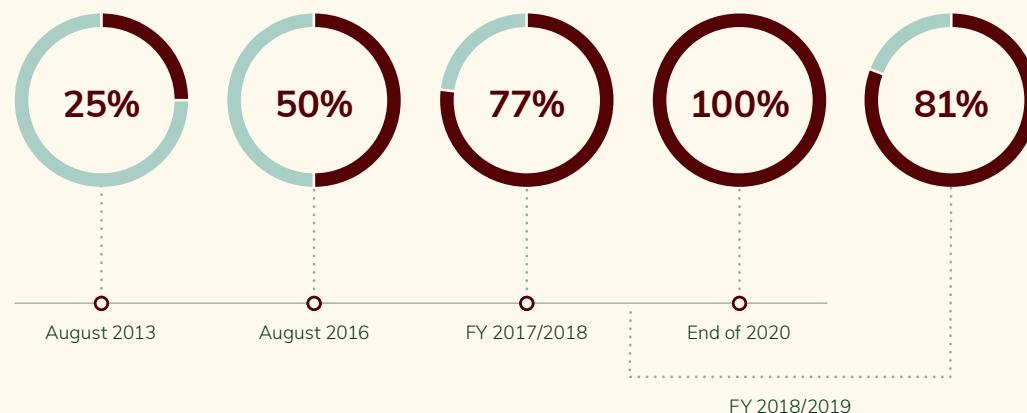
It is crucial that we deliver on our promise to consumers to provide products of the highest quality and freshness, produced in a responsible way. We do this in three key ways:

- Sourcing certified cocoa through independently managed schemes such as UTZ, Rainforest Alliance and Fairtrade.
- Sourcing cocoa beans that are physically traceable to the farmer and that are not mixed with non-certified cocoa from unknown sources. This is an important commitment and a distinctive feature of our cocoa sustainability approach.
- Collecting information and processing it with technology to map farms and sourcing areas so that we know their location, size and productivity.

### OUR 2020 COMMITMENT

#### 100% certified sustainable cocoa

#### Cocoa certification roadmap



### How much of our cocoa is certified?

We are committed to sourcing 100% sustainable cocoa beans by the end of 2020. We define certified cocoa as sustainable due to the reliability of the certification schemes and their multi-stakeholder engagements and governance. By August 2019, 81% of our cocoa beans were certified sustainable and we are on track to achieve our 2020 target.

### Improving cocoa traceability

We put robust mechanisms in place to follow our cocoa beans from the farmer to our plants, where we process the cocoa beans for our products. We are mapping all farmers registered with the Ferrero Farming Values Cocoa Programme who supply us certified cocoa. We map the locations of their farms and collect data such as the trees on the farm and the soil fertility.

**We source sustainably certified cocoa beans mainly via the following certification standards: UTZ Certified, Rainforest Alliance Certified™, Fairtrade® and Fairtrade USA.**



#### UTZ Certified

The UTZ programme enhances farmers' knowledge of good agricultural practices, improves working conditions and helps them in caring about their children and the environment.



#### Rainforest Alliance Certified

Rainforest Alliance Certified farms support a healthy environment, promote the well-being of workers and their communities and ensure efficient farming methods.



#### Fairtrade (total volumes including US)

The Fairtrade Cocoa Programme enables small-scale farmers to benefit by selling more of their cocoa as Fairtrade to secure a price and achieve a sustainable income.



This information helps us and our partners understand the situation on the ground for each farmer, including the challenges and opportunities for positive intervention. It also means we can accurately estimate the total volume of cocoa a farmer can produce for comparison with the actual volume delivered to Ferrero.

### How much of our cocoa is traceable?

- More than 95% of the certified volumes were traceable to farmer group level in FY 18/19.
- Over 100,000 farmers were part of the Ferrero Farming Values Cocoa Programme, of which more than 85% were polygon mapped, enabling traceability to farm gate level.

### Beyond certification

We have learnt that certification alone is not enough to improve the conditions in the supply chain. To perform our due diligence requirements, we therefore aim to go beyond certification through the Ferrero Farming Values Cocoa Programme. This is done through our focus on three closely related pillars:

- Improve the livelihoods of farmers and communities.
- Protect children's rights.
- Safeguard the natural capital.

## Cocoa continued

### How do we improve the livelihoods of cocoa farmers and their community?

We build long-term relationships with the farmer groups that supply our cocoa beans, working with them to deliver sustainability projects that secure sustainable livelihoods, improve the well-being of women and children, and protect the environment and wildlife. We achieve it through interventions aimed at increasing cocoa productivity and supporting farmers to diversify their income year-round.

#### **Farmer Field Schools**

At our Farmer Field Schools, farmers receive training in good agricultural, social and environmental practices and we promote access to inputs such as cocoa and multi-purpose tree seedlings and fertilisers. In FY 18/19, over 90,000 farmers were trained in good agricultural practices, 88 cocoa nurseries were established and 1.6 million cocoa seedlings were distributed in Ghana.

#### **Farm Development Plans**

Key learnings have shown that a more targeted approach is needed to deliver long-term outcomes. Together with our partners, we have started to provide individual farm and financial management coaching to selected cocoa farmers to help increase their access to finance and develop Farm Development Plans tailored to their specific needs and situation. This is an important development in the maturity of the Ferrero Farming Values Cocoa Programme and will enable us to increase our impact on the ground. In FY 18/19, 1,700 farmers were involved in developing and implementing Farm Development



### WITH THE KNOWLEDGE THAT I HAVE NOW, I HAVE MORE THAN DOUBLED MY HARVEST.

**Mr. Momboye**

Cocoa farmer in Cote d'Ivoire



Plans. In addition to activities focused on the farm, farmers receive support in starting agroforestry ([see page 41](#)) and income-generating activities off-farm like bee-keeping, grasscutters and petty shops.

#### **Empowering women and increasing financial resilience**

Women in cocoa growing communities are key agents for economic, environmental and social change and for ensuring the protection of children. We support specific interventions to support women's empowerment and reduce gender inequality.

**Ferrero has sourced cocoa from cooperatives in Cote D'Ivoire since 2014. ECOOKIM is a cooperative union representing 22,500 cocoa farmers in Cote D'Ivoire.**

In 2019, we sourced cocoa beans from nine ECOOKIM cooperatives, representing around 12,500 farmers. Training farmers for sustainable cocoa production is delivered via Farmer Field Schools and in the community to raise awareness of good social and environmental practices.

For example, Village Savings and Loans Associations (VSLA) have proven to be a successful concept for providing women with access to small loans to support entrepreneurial activities. Our CocoaAction project in the Lakota region of Cote D'Ivoire supports women's empowerment through a VSLA alongside entrepreneurship training and support for strengthening income-generating activities. More than 250 VSLAs have been established involving more than 6,700 people, mainly women. In FY 18/19, over 16,000 households were involved in financial literacy programmes and almost 10,000 community members were involved in income-generating activities.

#### **How do we protect children's rights?**

Child labour is a long-term systemic issue among cocoa growing communities in Africa. The root causes are many and complex. They can include poverty, gender inequality, lack of awareness,



**EMPOWERING FARMER COOPERATIVES**

poor access to education and lack of birth certificates which are required for children to attend school.

Ferrero's direct interventions to tackle child labour began with educating farmers and their communities. The Child Labour Monitoring and Remediation Systems (CLMRS) involves field officers and community agents who monitor cocoa farmer households in West Africa to identify children at-risk of child labour.

When cases of child labour are found, they are reported to the responsible authorities and a solution for the child is developed together with the parents.

Our aim is that 100% of our cocoa supply chain will be covered by the CLMRS or an equivalent system. In FY 18/19, 44% of farmer groups were covered by the Ferrero Child Labour Monitoring and Remediation Systems, including more than 50,000 households.

## Cocoa continued

In addition to monitoring activities on farms, we work with partners such as Save the Children to implement Child-Centred Community Development programmes involving community members. The objective is to put mechanisms in place to protect children and to provide opportunities for children through access to quality education, basic facilities like water, sanitation and hygiene (WASH), and good nutrition.

We launched our partnership with Save the Children in 2016 as a pilot and extended it for another three years in 2017, aiming to reach an additional 10 communities, bringing the total to 20 communities. The project objectives include protecting children against the worst forms of labour, abuses and violence and promoting community development to create an enabling environment for child protection. This is delivered by focusing on four action areas: child protection, education, food security and livelihoods, and community development. The partnership aims to directly reach 16,575 people, including 6,057 children, with 33,150 indirect beneficiaries, including 12,114 children. The project is implemented in partnership with administrative authorities, institutions and other relevant stakeholders. Ferrero's role is to provide feedback, connect with suppliers and be part of the decision-making process.

By the end of FY 18/19, over 100 communities in Côte D'Ivoire and Ghana had been involved in holistic Community Development plans and six social centres were supported. Almost 1,500 children have received a birth certificate and 51 schools have been renovated or constructed. We have supported 13,000 children with education materials.



In addition to actions in our direct supply chain, we are a long-standing member of the International Cocoa Initiative (ICI) since 2008. This multi-stakeholder platform includes representatives from industry and civil society and aims to ensure a better future for children and to advance the elimination of child labour. As part of its Strategy 2015-2020, ICI set a target to improve protection for one million children living in cocoa-growing communities by 2020, of which 200,000 children would be reached through ICI's direct action. It developed a Child Labour Monitoring and Remediation Systems (CLMRS) methodology, which has proven to be successful.

66

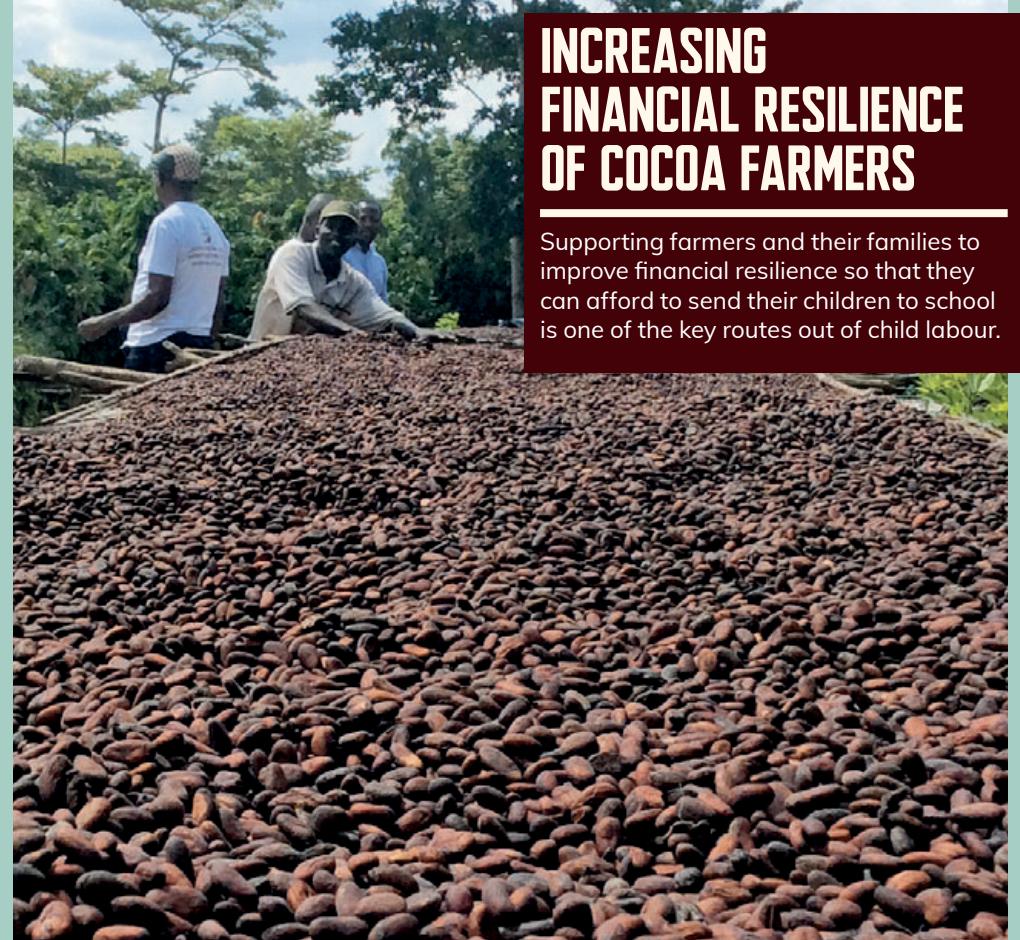
**THANKS TO FINANCIAL EDUCATION, I NO LONGER GET INTO DEBT FOR THE EXPENSE OF MY FAMILY AND FARM.**

Ouedgraogo Madi  
Cocoa farmer

99

## INCREASING FINANCIAL RESILIENCE OF COCOA FARMERS

Supporting farmers and their families to improve financial resilience so that they can afford to send their children to school is one of the key routes out of child labour.



Quedgraogo Madi is a 50-year-old cocoa farmer who lives in Oupopo in Côte D'Ivoire. With 15 children to support, he had struggled to cover school fees for his children as well as inputs for his farm at different times during the year pushing him into debt. Quedgraogo attended an education programme on financial education, including how to manage seasonal budgeting and cash flow throughout the year to avoid going into debt. Thanks to the training, Quedgraogo saves around USD 600 of his income a year and is able to send money to four of his children who attend secondary school and seven who are in primary school. Supporting farmers and their families to improve financial resilience so that they can afford to send their children to school is one of the key routes out of child labour.

## Cocoa continued

### How do we safeguard natural capital?

Deforestation threatens to undermine the resilience of the cocoa sector and the livelihoods of the millions of smallholders who depend on it. Cocoa is farmed in some High Conservation Value (HCV) areas in West Africa, where farmers have been growing cocoa for many years. We are working on the challenges to end deforestation in the cocoa sector and to implement key principles and strategies that underpin socially and environmentally sustainable cocoa production.

In November 2017, we and other chocolate and cocoa companies signed the Cocoa & Forest Initiative's (CFI) framework to end deforestation and restore forest areas in cocoa producing countries Côte d'Ivoire and Ghana<sup>1</sup>. Having our cocoa supply chain geo-referenced through farmer mapping is a key condition to secure our commitment.

In March 2019, Ferrero Group released its action plan to fulfil its commitment to the CFI. It identifies measures ranging from fostering traceability and mapping all cocoa farms in our supply chain to training cocoa farmers in good agricultural practices and supporting the distribution and planting of multi-purpose trees. The measures, which were developed together with Ferrero's suppliers, focus on three main areas defined by the CFI:

- Forest protection and restoration;
- Sustainable cocoa production and farmers' livelihoods;
- Community engagement and social inclusion; and

– These activities form an integral part of Ferrero's strategy to address the challenges in the cocoa sector. We will update the action plan as the Ivorian and Ghanaian governments provide further reports and studies, such as boundary maps for protected forests and updated operational guidance about land-use in degraded forest areas. In FY 18/19, more than 130,000 ha. were covered by our deforestation risk assessments.



[Read the contents of our Action Plan](#)  
[Read the contents of our CFT Annual Progress Report](#)

### Promoting agroforestry

As well as ensuring we do not contribute to deforestation, we support farmers to adopt mixed agroforestry systems. These combine cocoa, fruit and other tree planting to provide shade for young cocoa trees and also food for household consumption or to sell on the local market. The development of cocoa agroforestry systems will contribute significantly to environmental protection and biodiversity and will help limit the impacts of climate change.

In FY 18/19, we distributed over 500,000 multi-purpose trees and trained more than 30,000 farmers in cocoa agroforestry. More than 15,000 ha. of cocoa agroforestry were developed and over 200 cocoa communities had an active forest restoration and protection programme to protect and restore forests in cocoa-growing areas. Our partnership with the CFI distributed 678 improved cookstoves to more than 2,100 households to avoid cutting of firewood from forests and provide additional health benefits.

### LOOKING AHEAD

Looking beyond 2020, we will continue to strengthen our cocoa sustainability programme to achieve a positive and lasting impact on the cocoa value chain. We are currently finalizing our long-term vision including our cocoa plan for 2030. It will be based on the following main objectives:

- Care for people
- Improve farmer and community livelihoods, supporting cocoa farmers in increasing their incomes.
- Commit to joyful growth and child protection for all our sourcing areas.
- Care for natural capital
- Safeguard natural capital, improving agroforestry practices in our cocoa communities.

We will leverage our cocoa sustainability strategy fundamentals, ensuring a fully mapped, certified and traceable cocoa supply chain up to the farm gate, complemented by full coverage of our Child Labour Monitoring and Remediation systems or equivalent systems.



We will scale up our activities on the ground working with suppliers and partners such as Save the Children. Stronger due diligence in our supply chain will reinforce the impact of our measures. This includes embedding our Human Rights Policy Statement and Due Diligence Process to mitigate and prevent child labour, improve working conditions and ensure our cocoa supply chain is deforestation free.

Ferrero will also renew its commitment to the CFI and support collective engagements that aim to increase impact. We recently announced our intention to join forces with a coalition of the government of Côte d'Ivoire, leading cocoa and chocolate companies, the Jacobs Foundation and others' partners to tackle the root causes of child labour in Côte d'Ivoire. This coalition will develop a public-private partnership aiming to promote quality education and early childhood development for over six million children in Côte d'Ivoire.

In line with our Supplier Code, a specific Charter document related to cocoa will be launched, establishing Ferrero's commitments and requirements based on our selected priorities.

<sup>1</sup> <https://www.worldcocoafoundation.org/initiative/cocoa-forests-initiative/>

## Hazelnuts

# HAZELNUTS

**Hazelnuts are at the heart of our Company. They characterise the unique taste of many of our products. Being a relevant hazelnut user, we aim to be a driving force behind a hazelnut industry where hazelnut production creates value for all.**



**I**ur hazelnuts come from different parts of the world, the three main origins being Turkey, Italy and Chile. In the Northern hemisphere they are harvested between the beginning of August and the end of September. Once harvested, the hazelnuts are dried, cleaned and sent to plants where they are sorted, cracked, shelled, calibrated, selected and then packed and shipped to the Ferrero facilities. Here, we carry out quality checks before the roasting process to ensure all selected hazelnuts meet our stringent standards to guarantee excellent product quality for consumers.

We have been directly involved in the hazelnut supply chain since 2000. We have started up cultivation in new regions of the world (Argentina, Australia, Chile, Georgia, Serbia and South Africa) as part of our commitment to the farming and nursery production of hazelnuts to guarantee a high-quality and fresh supply throughout the year.

In 2014, we acquired the family-owned Oltan Group, then a leading operator in the procurement, processing and marketing of hazelnuts. This enabled us to acquire new skills and knowledge of the different stages of hazelnut selection and processing. Our work to build a more ethical and profitable relationship between hazelnut growers and the confectionery industry led to the creation of Ferrero Hazelnut Company (HCo), a division of the Ferrero Group, in 2015.

### What are the challenges?

Risks in the hazelnut supply chain mainly relate to complex, systemic and deeply ingrained challenges. These challenges involve the exploitation of people, be it any form of child labour or bonded labour, as well as poor working conditions and inadequate accommodation for farm workers.

Hazelnuts are mainly grown on small family orchards, making traceability a challenge. The hazelnut harvest in Turkey can attract seasonal migrant workers who arrive to pick hazelnuts before moving on to harvest other crops in new locations. Many of these workers travel with their families and lack access to schools and childcare.

### Our approach

#### The Ferrero Hazelnut Company

Our work to build a more ethical relationship that creates value for both hazelnut growers and the confectionery industry led to the creation of Ferrero HCo in 2015. The HCo division is an example within the hazelnut industry of a "fully integrated value chain Company" from farmer to consumer.

HCo brings all hazelnut activities together under one business structure, maximising potential for quality and innovation improvements. Its activities include:

**Agribusiness development and sustainability:** supporting the development of hazelnut cultivation in new and existing countries and improving the quality and yield of the existing value chains;

**Hazelnut procurement:** the Purchasing Department operates in several countries around the world in order to supply the required hazelnut volumes according to strict quality specifications and in line with our Code of Business Conduct;

**Hazelnut industrial and supply chain:** Seven processing plants located in Italy, Chile and Turkey characterise the HCo industrial and supply chain footprint. With the aim to preserve the unification and standardisation of the quality model, the HCo plants, as well as our chocolate factories, are subject to certification processes ISO 9001 and FSSC 22000, which will be achieved globally by the end of 2020. Certification provides recognition of good manufacturing practices, food safety and process harmonisation worldwide;

**Hazelnut commercial B2B:** managing a range of commercial business-to-business activities;

**Hazelnut quality:** guaranteeing strict and specific qualitative parameters, ad hoc varieties and origins, definite and precise dimensions and shapes. This requires careful quality control all along the value chain, accurate selection of suppliers, strict storage conditions, periodical inspection audits and several analyses according to our methodology. Around 160 members of the Quality team are involved in these processes, carrying out daily analyses which amount to more than 100,000 samples a year analysed in Ferrero laboratories.

## Hazelnuts continued

### Agribusiness development and sustainability

The HCo AgriBusiness Development department plays a key role. It leverages six model Agrifarms promoting hazelnut cultivation in Chile, Argentina, Georgia, South Africa, Australia and Serbia – employing around 3,000 people. These Agrifarms are key to reaching farmers with agricultural and social best practices and to supporting the development of third parties in the sector. Another key target of the AgriBusiness Development is to achieve sustainability along the hazelnut supply chain, pursuing traceability in the field as well as agricultural and social good practices. Implementation of good practices ensures that the best, most modern and efficient technologies are applied to the cultivation of hazelnuts – with a clear intention to spread the know-how created through our initiatives with local farmers and hazelnut communities in the different areas in which we operate.

Through the Hazelnut Ferrero Farming Values (FFV) programme, we actively support capacity building and capability improvements. These are crucial elements in respecting human rights and promoting good agricultural practices. The objective of improving sustainable agricultural and social practices on farms is complemented by recognising farmers as key partners in tackling the social issues and farming business transformation.

The FFV programme demonstrates the way Ferrero works with farmers to implement good agriculture and social practices. In practice, FFV teams are fully connected to the ground, nearby farmers and farmer communities to create value for all. The FFV programme has the following goals:

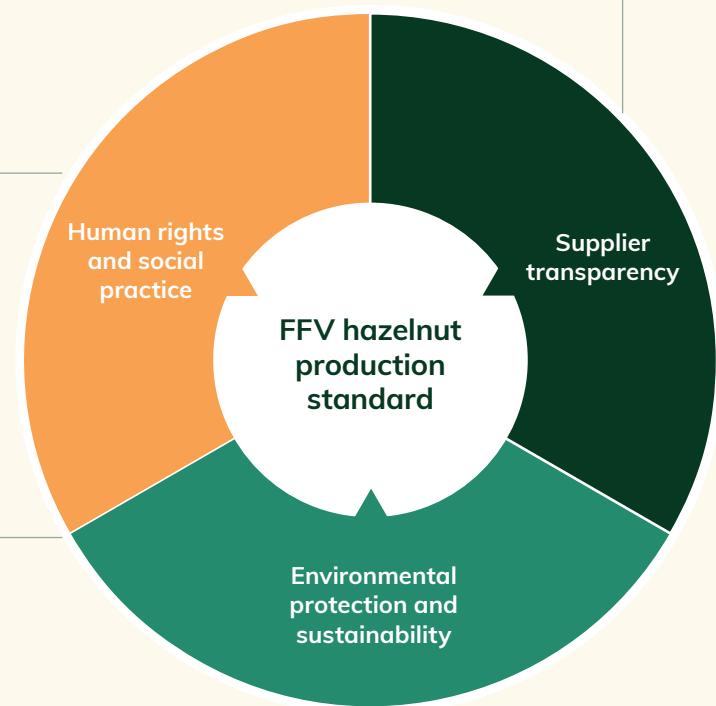
- Increase quantity and quality of the hazelnut cultivation, respecting the environment.
- Trace and track all the hazelnuts we buy from the farm to our factories.
- Prevent child labour and ensure decent working and living conditions for all farmworkers including seasonal ones.

We work with key value chain actors, as well as local and national partners, to better understand the challenges in the hazelnut sector and appropriate ways to mitigate these.

The FFV standards are the framework which guides our good agricultural practices and good social practices. Their driving principle is to produce crops in a way that is respectful and sensitive to nature, human rights and the surrounding environment.

### The Ferrero Farming Values (FFV) Hazelnut Production Standard

- Child labour
- Compensation and recruitment
- Working hours
- Working conditions
- Health and safety



- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>– Management of inputs</li> <li>– Pruning</li> <li>– Soil carbon</li> <li>– Harvesting</li> </ul> | <ul style="list-style-type: none"> <li>– Water management</li> <li>– Waste management</li> <li>– Product drying and storage</li> </ul> |
|--|--|

- Farm-level documentation
- FFVh participation

## Hazelnuts continued

### Improving hazelnut traceability

Being able to trace our hazelnuts back to their origin – either the individual farm or farm cluster – enables us to be confident in how they were grown and to support farmers and suppliers to develop better social and environmental practices.

Production at scale can make traceability difficult for companies because of the highly complex supply chains involved. These are typified by a variety of intermediaries, scattered information and different data processing systems. We work with our suppliers to improve hazelnut traceability and achieve greater transparency from everyone involved.

#### OUR 2020 COMMITMENT

#### 100% traceable hazelnuts

### How much of our hazelnut are traceable?

Achieving our commitment to source 100% traceable hazelnuts has been challenging, especially in larger, more complex supply chains due to the potential instability of the relationship between our suppliers, crackers and farmers.

At the end of FY 18/19, we had achieved 52% traceability of our total sourced hazelnuts. Our efforts have focused on the two major countries for hazelnut supply, achieving 45% traceability in Turkey and 48% in Italy. To address the challenges in achieving greater traceability, we are exploring systems and processes to improve our approach. In other countries, we have reached higher levels of traceability. This is thanks to our Agrifarms which allow capillary control of the local value chain. For example, in Chile we have achieved the 100% traceability goal.

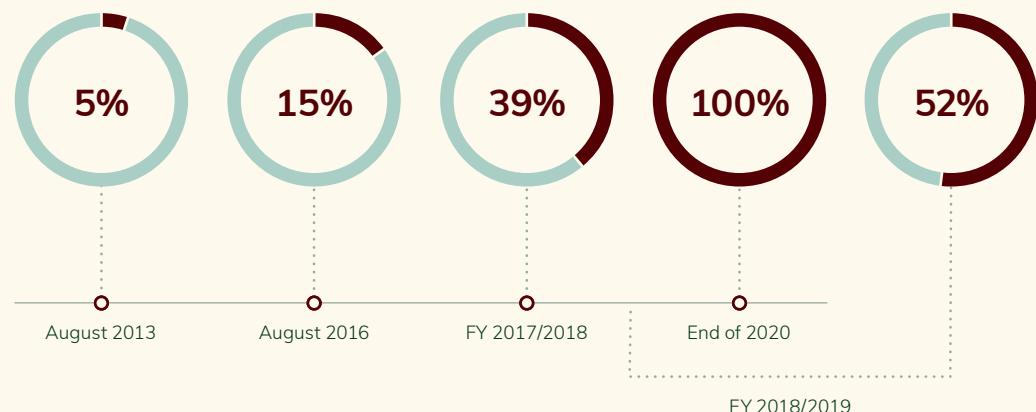
### Improving farmer livelihoods and protecting children's rights

The FFV standards are the framework to guide good agricultural and social practices. Their driving principle is to produce crops in a way that is respectful and sensitive to nature, human rights and the surrounding environment. In order to transmit those principles and set an example, we have created model farms where we run special orchard, harvest, mechanisation, drip irrigation and pruning educational days. Together with our partners, we also organise activities to help women and young people improve their understanding of hazelnut production and contribute to creating an improved and sustainable hazelnut supply chain. Our FFV activities in Turkey are focused on increasing quality in existing hazelnut orchards to improve conditions for farmers and build more sustainable and resilient livelihoods.

During the growing season in 2019, our teams visited more than 400 orchards a day, covering more than 63,000 ha. and 21,211 farmers. The orchards that participated increased their yields by an average of 40-45% compared to non-participating orchards in the same areas.

The social agenda of the FFV promotes the transition to responsible agriculture and builds farmers' understanding of the Turkish regulatory system through social dialogue. The farming community is invited to actively engage in these dialogues by FFV Social Officers. During meetings and training, we share needs, concerns, ideas and solutions regarding social issues in farming. The dialogue also helps farmers to understand relevant Turkish laws and regulations related to the employment of workers. Other activities fulfilled by the FFV Social Officers include children's and teenager's activities and engagement with seasonal workers facilitated through NGOs, women's training, mukhtar (head of the village) visits, internal audits and stakeholder mapping. A major focus is the implementation of a Monitoring & Evaluation System (M&E) – created within the Strategic Alliance with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH). The M&E system, combined with yearly third-party verification audits and field visits, enables us to monitor the situation on the ground and remediate identified non-conformities to Ferrero's protocols. Corrective actions are implemented through awareness raising, capacity building and direct interventions – delivered through our internal resources and external partnerships and collaborations.

### Hazelnuts traceability roadmap



## Hazelnuts continued

### ACTION AGAINST CHILD LABOUR IN SEASONAL HAZELNUT AGRICULTURE

We support and actively participate in an extended Public-Private Partnership (PPP) with CAOBISCO (the European Association of Chocolate, Biscuits & Confectionery Industries) and the International Labour Organization (ILO) in Turkey.



#### Achievements between 2013-2019 in the hazelnut supply chain through the PPP with CAOBISCO and ILO Turkey

		2013	2014	2015	2016	2017	2018	<b>2019</b>
<b>Families</b>	Counselling services	330	313	1,033	1,500	1,050	668	<b>964</b>
	Individual counselling	192	101	202	267	330	349	<b>701</b>
<b>Children withdrawn/prevented</b>	Education services	381	408	1,165	1,200	1,125	1,252	<b>1,806</b>
	Regular attendance	252	310	719	1,015	1,064	1,022	<b>1,384</b>
<b>Intermediaries</b>	Group/individual counselling	22	20	41	48	54	112	<b>63</b>
<b>Orchard owners</b>	Counselling services	104	307	75	202	341	196	<b>160</b>

This project aims to contribute to the elimination of the worst forms of child labour in seasonal agriculture in hazelnut harvesting. It is being implemented jointly by the Ministry of Family, Labour and Social Services of Turkey (MoFLSS) and the ILO, in line with the National Employment Strategy (2014-2023).

The PPP was established in 2013 and in September 2017 the majority of project members agreed on a smooth transition into a new project phase, running until the end of 2020. Contributing financial support, active engagement and expertise, the members agreed to focus on local and national capacity building to combat child labour by training seasonal migrant workers in their regions of origin as well as in the areas where they find work in the hazelnut supply chain.

Between 2013-2019, the project contributed to policy development of a National Programme on the Elimination of Child Labour (2017-2023), in collaboration with the Ministry of Family, Labour and Social Services, and to a Circular issued by the Ministry of National Education (MoNE) in 2016 focusing on Access to Education for Children of Seasonal Agricultural Workers and Nomadic or Semi-Nomadic People.

In 2017, a Circular issued by the Prime Ministry focused on seasonal agricultural workers, regulating the efforts of hazelnut provinces to provide assistance and secure conditions for workers.

Beside the policies created, activities targeting local stakeholders, teachers and school administrators took place in target provinces to raise awareness and strengthen capacities for the identification of necessary measures and actions to be taken to prevent child labour in seasonal hazelnut agriculture and implementation of child labour monitoring mechanisms in light of recently issued policy documents. Based on the developed strategic intervention model, identification and referral mechanism activities, together with education, counselling and rehabilitation services, took place during hazelnut harvesting seasons (see table below).

# 964

families counselling services in 2019

## Hazelnuts continued

# PROMOTING SUSTAINABLE SOURCING IN THE FRUIT INDUSTRY



**Implementing efficient sustainable sourcing initiatives is inherently collaborative. In order to receive appropriate strategic advice and technical expertise on the design, implementation and monitoring of sustainable sourcing themes, we joined forces with two other companies – MesseM in Morocco and HavaMad in Madagascar – via a strategic alliance enabled through GIZ.**

The three-year partnership between 2016–2019 aimed to promote sustainable sourcing in the fruit industry with a specific focus on worker rights. The programme was set up by the German Federal Ministry for Economic Cooperation and Development (BMZ) to foster the involvement of the private sector at the point where business opportunities and development policy initiatives intersect. Through developPPP.de, BMZ provides companies investing in developing and emerging countries with financial and professional support from public partners like GIZ.

The general objective of this strategic alliance PPP was to set up sustainable sourcing models



that improve the working conditions of seasonal workers in labour intensive fruit supply chains in Morocco (strawberries), Madagascar (pineapple) and Turkey (hazelnut).

For Turkey, Ferrero set up a comprehensive extension and advisory system to enhance the working and living conditions of the seasonal workers by improving the social practices of the hazelnut suppliers. GIZ provided strategic and technical advice to design and roll out a tailored social programme embedded in an extension and advisory system to improve the social practices of hazelnut farmers. The main results are visible throughout the design of the M&E System, including the robust revision of questionnaires, a comprehensive handbook summarising the key elements of an M&E System and a shorter guidebook for direct implementation in the field.

The M&E reflects the collected data from different stakeholders in the hazelnut sector, including farmers, workers, labour brokers and various community opinion leaders. The FFV uses the outputs of the system to create effective action plans to better tailor on-the-ground activities to social needs.

The final evaluation, conducted by an independent consultant appointed by GIZ, showed that the project exceeded the original target of 70% of 4,000 seasonal workers due to high hazelnut farmer outreach. Through the intense and large-scale development of on-farm measures and high worker outreach of Ferrero's advisory and training system, hazelnut producing small-scale farmers with an estimated total workforce of 40-50,000 workers were indirectly reached in 2017 and 2019.

Overall, in 2018/2019 the M&E System reached out to:

<b>3,483</b>	<b>1,120</b>
<b>farmers</b>	<b>mukhtars</b>
<b>1,581</b>	<b>1,042</b>
<b>workers</b>	<b>internal observers</b>
<b>43</b>	
<b>local brokers</b>	

## Third-party verification and certification

### Turkey

Since 2012, our sustainable procurement approach has included the involvement of leading global certification firm, Scientific Certification System (SCS Global Services), which we commissioned to develop concrete action on the ground in Turkey. In 2017, we extended the approach to Chile (see details in the chapter Chile). SCS and local auditing firms carry out annual audits of our supply chain to prove the commitment and compliance of producers to the FFV Hazelnut Production Standard. In August 2019, SCS Global audited 100 FFV farmers in six provinces.

### Italy

One of the countries where the hazelnuts that meet our high-quality standards are cultivated is Italy, and historically this has been in the regions of Piedmont, Lazio and Campania; therefore taking care of the sustainable value chain development and preservation in these areas is key.

As part of its responsible sourcing plan Ferrero has collaborated with the global assurance provider DNV GL since 2015. This partnership is helping Ferrero to develop concrete actions on the ground with both farmers and associations.

The main actions taken in FY 18/19 were:

- Training: 310 participants including farmers, associations, traders and crackers/shellers were trained on good social and agricultural practices;
- Field assistance: Ferrero Technicians delivered in-field training/consultancy based on requirements provided during training sessions to 150 participants;
- Audit: carried out by DNV-GL to farmers, associations, traders and crackers/shellers, accomplished in two different phases – during harvesting season and in October. Audits have been improved to better assess company structure, documentation analysis, compliance to existing law, chemical management and usage.

The collaboration with DNV-GL will continue and audits will be performed twice a year with farmers and associations in order to ensure the commitment and compliance of producers to Sustainable Standards. DNV-GL is also our partner for the traceability target, auditing and monitoring along the Italian value chain.

## Hazelnuts continued

### Chile

Ferrero's first Agrifarm, AgriChile, was established in 1991 in Chile, which has a favourable climate for hazelnut cultivation. A full value chain (from hazelnut farming to shelling) has been created as a result of more than 28 years of AgriChile activity, combining the expertise of our agronomists and the high skills of Chilean farmers. Two factors have distinguished AgriChile's actions in this time: the attention to quality and the sharing of sustainable practices among farmers.

AgriChile has collaborated with SCS Global Services since 2017 to certify its own production processes under the Sustainably Grown Standard. Sustainably Grown is an accredited certification programme aligned to global programmes and recognised by major stakeholders operating in sustainability. It provides agricultural producers with a technical curriculum to improve the sustainable management of their plantations. It also provides customers with assurance that products meet environmental standards, that farm workers and farm communities are protected and engaged, and that the farm is economically resilient.

After two years of collaboration, AgriChile went through the entire certification process, obtaining a positive result on the final audit in May 2019. This led to a deep analysis of the process, resulting in an improved set of policies on the environmental and social impact of farming operations (i.e. GHG emissions, biodiversity assessments, energy, irrigation and water management, etc.). A key priority for AgriChile is the development of a strong value chain characterised by continuous support to local actors. In FY 18/19, 1,035 on-site visits were performed by AgriChile colleagues to support outgrowing initiatives, as well as 24 training events with Chilean growers.

### Serbia

We selected Serbia as a relevant country for outgrowing opportunities and it is home to Ferrero's latest Agrifarm under the name of AgriSer. After five years of continuous improvement and research of the best hazelnut cultivation techniques, AgriSer is now ready to set its next milestone by obtaining an international third-party certification. AgriSer aims to achieve the Sustainably Grown standard by SCS Global in FY 19/20 so that its operations are verified as compliant with stringent environmental and social practices, following our best-in-class farming business in Chile.

## LOOKING AHEAD

Our ambition is to be a driving force behind an evolving hazelnut industry where hazelnut production creates value for all; where farmers and farming communities are thriving, workers' and children's rights are unequivocally respected and environmental values are enhanced through regenerative agriculture practices.

We are in the process of renewing our commitments and finalizing our long-term vision including our hazelnut plan for 2030. It will be based on the following main objectives:

- Care for human rights and social practices
- Improving the livelihoods of workers in hazelnut communities and committing to joyful growth and child protection across our sourcing areas.
- Care for the environment
  - applying the principles of regenerative agriculture on our farms and across core partnerships, while promoting biodiversity.

We will ensure full traceability to farm level of our hazelnuts and will leverage our sustainability standard and the best practices of our Agrifarms to positively influence the global hazelnut sector with a clear intention to spread the culture created through our initiatives to local farmers and communities in the areas in which we operate.



We acknowledge the presence of systemic issues in this value chain and recognise and promote a holistic approach, engaging with multiple stakeholders. We see partnerships and collaboration as key to achieving concrete improvements and will foster strong cooperation among all the actors of the value chain.

To build on our measures already put in place, Ferrero decided to partner with Earthworm Foundation (EF). The objective of this partnership is to refine the hazelnut responsible sourcing approach, as well as creating a joint action plan to embark on practical work on the ground to bring all suppliers into meeting the very best standards for environmental and social practices across Turkey and beyond. Our partnership was launched in summer 2019 with a field assessment in Turkey and Italy.

In line with our Supplier Code, a specific Charter document related to Hazelnuts will be launched, establishing Ferrero's commitments and requirements based on our selected priorities.

## Palm oil

# PALM OIL

**Ferrero believes it has a significant role to play in driving the sustainable transformation of the palm oil sector for the benefit of the environment and of the communities living and working in palm oil producing countries.**



**P**alm oil is extracted by pressing the pulp of the fruit of the oil palm tree. It grows in plantations, over 85% of which are in Malaysia and Indonesia although over 40 countries around the world produce palm oil.

The use of palm oil in human nutrition dates back to over 10,000 years. In South-East Asia, Africa and parts of Brazil, palm oil is widely used in domestic cooking. In Western countries, it is mostly used in its refined form as a natural ingredient in foodstuffs such as margarine, confectionery, ice cream and bakery products, as well as in healthcare products.

Palm oil offer multiple uses in our products. For example, palm oil is used in Nutella® to give the product its creamy texture and to preserve the flavour of its ingredients, thanks to its properties that give it a neutral odour and taste after the refining process. Ferrero sourced around 209,000 tonnes of palm oil in FY 18/19 from seven countries (see table).

Country	Volume %	# of Mills
Brazil	0.3%	5
Costa Rica	0.7%	2
Guatemala	0.9%	3
Honduras	0.3%	1
Indonesia	14.6%	33
Malaysia	80.0%	38
Papua New Guinea	3.1%	9

### What are the challenges?

Palm oil has been and continues to be a major driver of deforestation of some of the world's most biodiverse forests. This forest loss, coupled with conversion of carbon rich peat soils, are a major contributor to climate change. Worker exploitation and forced labour are also key risks. These are complex issues that the whole palm oil sector needs to step up to address.

When sourced sustainably, there are good reasons to use palm oil; it has been used for thousands of years and approximately 4.5 million people in Indonesia and Malaysia earn a living from palm oil. Compared with other vegetable oils, palm oil has an excellent yield. Replacing it with another oil would mean substantially more land would need be used to cultivate the same volumes. For example, palm oil requires only 0.26 ha. to produce one tonne of oil compared with 1.52 ha. for rapeseed and 2 ha. for sunflower oil.

### Our approach

We are fully committed to securing a deforestation free and exploitation-free palm oil supply chain. We launched the Ferrero Farming Values Palm Oil Programme along with our Palm Oil Charter in 2013 to focus on palm oil communities and address the leading causes of deforestation and social issues in the palm oil sector. A key factor in doing this is our work to maintain robust traceability to understand the origins of our palm oil. This information means we can work more efficiently with suppliers and ensure we are not contributing to risks such as worker exploitation and deforestation.

Our Charter also demonstrates our ambition to continuously increase the standards in the palm oil industry. We are determined to work towards transformation of the entire industry with our suppliers and partners and we strive to maintain a supply chain that is reliable, safe and resilient.

We are a member of RSPO (Roundtable on Sustainable Palm Oil) and POIG (Palm Oil Innovation Group).

Learn more at:  
<https://rspo.org/>  
<http://poig.org/>



RSPO-1106110.

## Palm oil continued

We have been a member of the Roundtable on Sustainable Palm Oil (RSPO), a not-for-profit that unites stakeholders from across the palm oil value chain to develop and implement global standards for sustainable palm oil, since 2005. We have worked extensively with our suppliers, requiring palm oil that is traceable according to the RSPO segregated supply chain.



**ONLY ONE COMPANY,  
THE CONSUMER GOODS  
MANUFACTURER  
FERRERO, HAS SCORED  
OVER 20 POINTS (OUT  
OF THE MAXIMUM  
22), SENDING AN  
ENCOURAGING SIGNAL  
TO THE REST OF  
THE INDUSTRY THAT  
SUSTAINABLE AND  
DEFORESTATION-FREE  
PALM OIL IS ACHIEVABLE.**

WWF Press Statement



Today, we are recognised for our efforts: Ferrero's palm oil sourcing practice was ranked as the most sustainable in the industry in 2019 WWF's Palm Oil Buyers Scorecard.

We also work closely with the European Palm Oil Alliance (EPOA) – a business initiative to engage with and educate stakeholders on the full palm oil story, closely collaborating with national initiatives and facilitating science-based communication on the nutritional and sustainability aspects of palm oil.

### FERRERO PALM OIL CHARTER

We are committed to making sure that our palm oil suppliers are:

- Providing fully traceable oil, while including smallholders.
- Not clearing High Carbon Stock forests.
- Not using fire to clear land.
- Not planting on peat soils.
- Protecting orang-utans and other endangered species by maintaining High Conservation Value areas.
- Reporting on the greenhouse gas emissions of their production.
- Respecting human rights, including the right to Free, Prior, and Informed Consent of indigenous and local communities.
- Recognising, respecting and strengthening the rights of workers.
- Not using Paraquat.
- Actively fighting corruption.

### Improving palm oil traceability

We are developing our sustainable palm oil supply chain beyond RSPO requirements. A key factor in doing so is maintaining robust mill and grower level traceability. This allows us to understand the first mile of our palm oil supply chain journey so that we can work more efficiently with our suppliers.

We decided to increase the transparency of our supply chain by regularly disclosing traceability data on our supplying mills. With the support of our committed suppliers, we have started publishing the full list of the mills we source from twice yearly from March 2018.

Our main palm oil suppliers in FY 18/19 are:



See our disclosure  
on our palm oil mills

### How much of our palm oil is traceable?

In FY 18/19, we were supplied with 209,000 tonnes of palm oil. We achieved 100% traceability to 91 palm oil mills and 99.60% traceability to 446 plantations. We recorded the contribution of some 23,730 smallholder growers.

### Certification

Ferrero's palm oil supplies have come from 100% RSPO certified and segregated oil since 2015. The segregation model ensures that sustainable palm oil is kept separately from non-sustainable palm oil all the way along the supply chain, meaning it is traceable back to the plantations.

### OUR 2020 COMMITMENT

**Source 100% sustainable certified RSPO as segregated.**

## Palm oil continued

### HOW ARE WE ELIMINATING DEFORESTATION?



In November 2018, Ferrero and other members of the RSPO adopted the new RSPO Principles and Criteria which present substantive improvements to the certification standard. In particular, new and stronger "No Deforestation", "No development on Peatlands" and "No Exploitation" restrictions prohibit the clearance of forests and development on peatlands.

The new standard represents a welcome step by the RSPO to move towards alignment with the best practices already established by the POIG. We are an active supporter of the High Carbon Stock Approach (HCSA), which is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.



The methodology was developed with the aim to ensure a widely accepted, practical, transparent, robust and scientifically credible approach that implements commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local people are respected.

### LOOKING AHEAD

Our ambition is to be a force for good, behind a palm oil industry where palm oil production creates value for all. Where smallholders and farming communities are thriving, the rights of workers in mills, refineries, plantations are unequivocally respected, and environmental values actively protected and enhanced for the benefit of our global society.

Building on our current achievements, we are in the process of renewing our commitments and finalizing our long-term vision including our palm oil plan for 2030. It will be based on the following main objectives:

- Care for Human Rights and Social Practices
- Committing to improved working conditions for our supply chain.
- Improving smallholder livelihoods and inclusion in our supply chain.
- Care for Environmental Protection
  - Having our supply chain verified deforestation free.
  - Protecting existing HCV areas in our supply chain.

We will continue to build on our strong foundation of responsible palm oil sourcing. Specifically, we will keep ensuring full traceability to plantation level while updating and maintaining public availability of our mills list. This will include purchasing 100% certified palm oil as segregated and supporting end-to-end traceability and data management. In parallel, we will strengthen our due diligence on the ground to eliminate deforestation, protect conservation areas and improve workers' rights and conditions within the communities we are operating in. We will also leverage our expertise and supplier best practices to improve inclusion and living conditions of smallholders. To scale up our positive impact, we will continue to support RSPO and strengthen audit systems and monitoring of impacts on the ground.

The activation of projects and partnerships with our suppliers, peers, NGOs and local authorities will further reinforce this approach. In line with our Supplier Code, a specific Charter document related to palm oil will be launched, establishing Ferrero's commitments and requirements based on our selected priorities.



## Milk and eggs

# MILK AND EGGS

**Animal welfare is an important principle of our ethical sourcing initiatives. One of our main objectives is to ensure the progressive improvement of animal welfare standards within the supply chains of animal origin products.**



In June 2017, we established a multidisciplinary team involving Ferrero experts and Fai Farms, a consultancy and research organisation dedicated to driving progress towards food sustainability. Our objective is to build a comprehensive programme dedicated to animal welfare, improving the quality and safety of our products and the sustainability of our supply chains.

### Milk

The key issues in developing a sustainable milk supply chain include ensuring high standards of animal welfare, reducing carbon emissions and managing the impacts of dairy farming on water and biodiversity.

Through the Milk FFV, we have developed and nurtured long-term relationships with carefully selected local milk producers who adhere to our strict standards. This enables us to assure and improve the freshness and quality of our milk.

We strictly adhere to national production regulations covering milk quality parameters (e.g. the absence of antibiotics) on raw milk and other dairy products, whilst ensuring our high-quality standards.

### VisionDiary

Our VisionDairy pilot project has been developed to drive sustainability and continuous improvement in three main areas on our supplier dairy farms, across 15 key issues:

#### Cow welfare

To identify and demonstrate best practice in cow and calf welfare.

- Optimise animal welfare
- Provide sustainable diets
- Deliver quality calf care
- Practice responsible medicine use
- Employ humane transport and slaughter practices

#### Farm performance

To support efficient, resilient and ethical business practices.

- Build healthy and productive herds
- Efficiency delivering safe, high quality milk
- Uphold human rights
- Support health and well-being of workers
- Develop knowledge and skills of workers

#### Environmental stewardship

To protect and enhance our shared environment.

- Reduce carbon footprints
- Protect water quality
- Support soil health
- Minimise fresh water use
- Conserve and enhance biodiversity

### How much of our milk is traceable?

Because we source our milk directly from dairy partners selected according to strict standards, we can provide 100% traceability of our milk back to dairy farms globally. We work with our suppliers to drive continual improvement and encourage them to adopt best practices in milk production.

During 2019, we tested VisionDairy on the ground with a group of suppliers to understand current sustainability performance. This pilot phase provided us with a baseline dataset which we need to further develop to design our sustainability roadmap.

### Eggs

Fair treatment of chickens is the main issue to be addressed in the global egg supply chain. Our egg supply chain is fully integrated, meaning suppliers have control over the full lifecycle of their animals and the feed composition. We are committed to sourcing eggs from cage-free systems for our global supply chain.

### How many of our eggs come from barn hens?

We reached our objective of using 100% cage-free eggs in the EU in 2014. Our European egg supply chains accounts for 95% of all the eggs we use globally. Our current commitment is to source only cage-free eggs and egg ingredients globally by 2025.

In 2013, we developed two new manufacturing plants outside Europe, in Turkey and Mexico. The eggs used in these plants make up approximately 5% of our global consumption and we are working with our suppliers to supply them with cage-free eggs, which are not currently readily available within the market, by 2025.

### OUR 2025 COMMITMENT

**100% of eggs from barn hens.**

### Eggs from cage-free barn hens roadmap



## Sugar

# SUGAR

**We have collaborated with suppliers who provide us with high-quality sugar for many decades. In FY 18/19, Ferrero purchased approximately 20% refined cane sugar and 80% beet sugar. In Europe, we primarily source beets from European producers and our sugarcane comes mainly from Brazil, India, Mexico and Australia.**



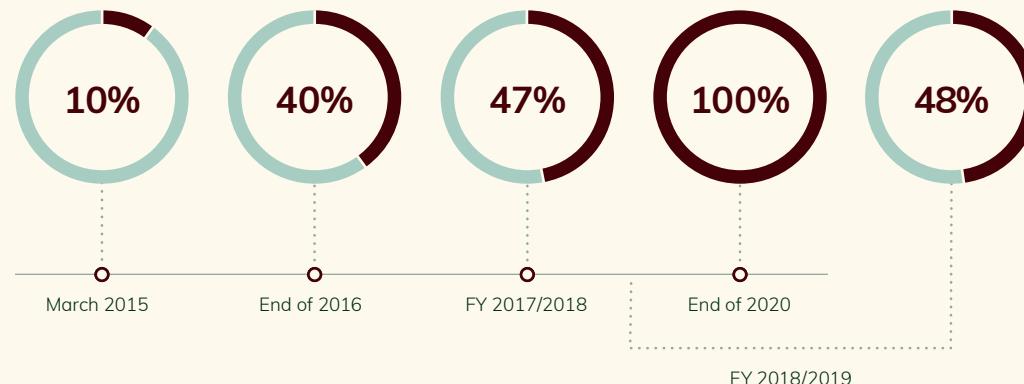
### What are the challenges?

With sugar production increasing globally, the socio-economic and environmental issues associated with sugarcane production include risk of poor working conditions in some sugarcane producing countries and issues such as forced labour, low wages and poor health and safety. Sugarcane production can also have a detrimental environmental impact, including loss of biodiversity and pollution of land and water.

### Our approach

We maintained a commitment to strong, trust-based relationships with agricultural cooperatives and sugar producers, who we have worked with for many years. To support the development of sourcing from other sugar producing countries, our procurement and quality teams have put in place a baseline selection procedure for new suppliers. This allows us to guarantee that raw sugar always meets our high-quality criteria through internal auditing systems.

### Sustainable sugar sourcing roadmap



We are committed to sourcing all our refined cane sugar from sustainable sources by 2020. By systematically devoting resources to evaluate currently available certification schemes – namely their robustness, on-ground impact, resource and cost efficiency – we are identifying further possibilities to expand our sustainable sugarcane supply chain. Through intensive discussions and field visits, we have identified and formally engaged with suppliers who have sound sustainability strategies.

### How much of our sugar is certified sustainable?

In FY 18/19, we sourced 48% Bonsucro and Altromercato sustainable sugar.

Although we still have some way to go, we expect to meet our 2020 commitment.

#### OUR 2020 COMMITMENT

**100% sugar certified as sustainable**



We have been a member of Bonsucro Limited, a global non-profit organisation that exists to promote sustainable sugarcane production, processing and trade around the world since 2010.

Bonsucro supports a community of over 250 members in over 56 countries, including sugar farmers, millers, traders, buyers and support organisations.

Bonsucro promotes the sustainability of the sugarcane sector through a metric-based certification scheme. The scheme is supported by the implementation of a production standard that focuses on reducing environmental and social impacts including biodiversity, ecosystem, human rights and labour standards, as well as legal compliance. We see Bonsucro as a strong partner in promoting and accelerating sugarcane sustainability.



**Sugar** continued

## ALTROMERCATO SUSTAINABLE SUGAR

Altromercato has created socially and environmentally sustainable Fairtrade supply chains for over 30 years.



Ferrero has a commercial agreement with Altromercato to source 20,000 tonnes of cane sugar between 2016 and 2020. Our partnership is regulated by an ethical protocol, "Made in Dignity", which is undersigned by all the project partners. It outlines the method and behaviours that will be used to reach the project's objectives. Altromercato's main objective is to ensure no adverse environmental, social or economic impacts on the approximately 700 families who are part of the project. It focuses on ensuring efficient and sustainable practices, aligned with the most recent bio-farming governmental policies in Mauritius. A Young Professionals group provides technical, formational and administrative support whilst facilitating the introduction of good practices and the access to services such as cutting, collection and transport of the cane and analysis of soil. With the introduction of good practices, the use of fertilisers and operational supports, 12 out of 25 sugar cooperatives reported higher cane productivity in comparison to the national average.

MADE IN  
DIGNITY  
mercato altro

## Shea and sal

# SHEA AND SAL

**Shea butter, processed from shea nuts, is used to enhance the taste and consistency in our products. Sal butter is extracted from its fruit seeds and then processed and refined to obtain a light-coloured butter which has a low odour and smooth, dense texture that makes it suitable for cosmetics and food.**



### Shea

The shea tree is a wild-growing tree that can only be found in the Sahel belt of West Africa. The tree is very important for countries in the region. Its fruit provides nutrition and income to communities in rural areas and the bark, leaves, sap and roots are used for traditional medical purposes. The trees also contribute to the prevention of desertification.

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

In 2018, Ferrero became a member of the Global Shea Alliance (GSA), a non-profit industry association with 560 members from 35 countries including women's groups, brands and retailers, suppliers and NGOs. The GSA aims to be the premier platform to satisfy the strategic interests and practical needs of its members, shea stakeholders large and small worldwide. The GSA's mission is to design, develop and deliver strategies that drive a competitive and sustainable shea industry worldwide and to improve the livelihoods of rural African women and their communities. Ferrero was also appointed to serve on the executive committee of the GSA earlier in 2020, an opportunity that allows us to contribute technically to shape the future of the shea industry.

### Sal

Sal is a semi-deciduous tree which grows mainly in moist evergreen regions of India.

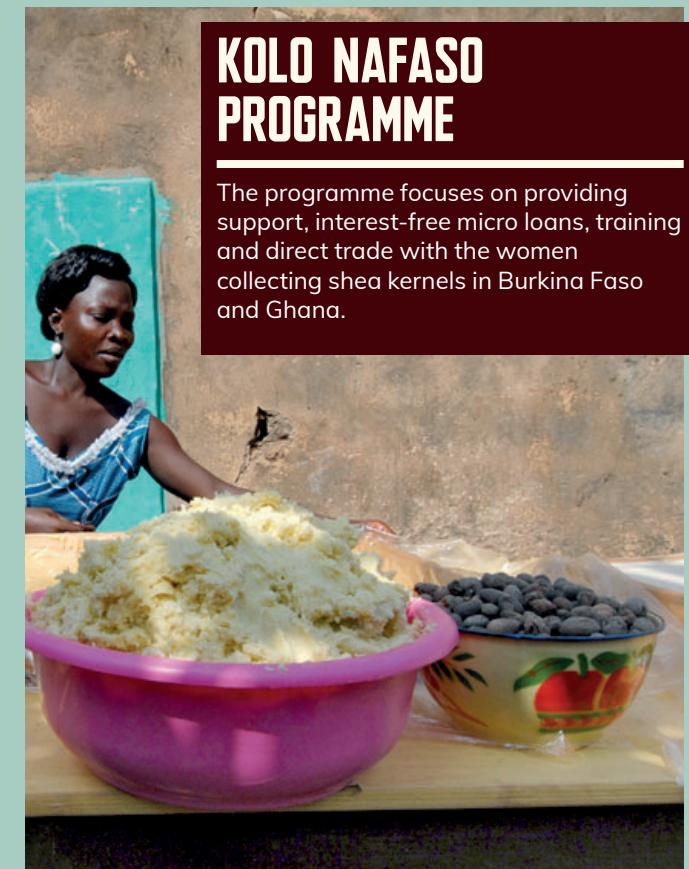
Sourcing of sal seeds has strong social value and provides an important source of income and nutrition for the local population. Due to its social and economic importance, the sal harvest is under strict control by the Indian Government.

The programme focuses on providing support, interest-free micro loans, training and direct trade with the women collecting shea kernels in Burkina Faso and Ghana. In 2019, the Ghana programme experienced tremendous growth, engaging more than 100,000 women. More than 230,000 women are now part of the Kolo Nafaso family. Ferrero has supported the Kolo Nafaso programme since 2015, increasing the volumes of traceable shea sourced from women's groups year-by-year.

We source our sal butter through a supplier who has worked with the indigenous people who traditionally collect sal seeds and derive their main income from its cultivation for many years. Our sal supplier collaborates with thousands of women's self-help groups and millions of tribal people across forest villages in India for the sustainable sourcing of superior quality of raw material.

## KOLO NAFASO PROGRAMME

The programme focuses on providing support, interest-free micro loans, training and direct trade with the women collecting shea kernels in Burkina Faso and Ghana.





# PROMOTE RESPONSIBLE CONSUMPTION FOR THE BETTER

We care about the responsible consumption of our products. We strive to offer products of the highest quality and freshness and always endeavour to communicate responsibly.

## How we promote responsible consumption for the better

### WHY DOES IT MATTER?

Nutrition is fundamental to human life. We live in a society where food plays a central role in cultures around the world, both as a necessity and a pleasure. But the way food is produced, marketed and consumed needs to be sustainable.

As one of the world's biggest chocolate and confectionery producers, nutrition and responsible consumption are material issues for our sustainable approach. Obesity rates among the overall population and in children/adolescents is a complex issue with multiple causes and addressing diet and lifestyle are key factors in our sustainable approach.

Responsible marketing communications and product labelling assist consumers in making appropriate choices about the food products they buy and consume. Marketing to children is one of the most sensitive areas of marketing. Children can be highly receptive to marketing messages but lack the maturity to form well-considered judgements. It is important that parents are involved in assessing and evaluating marketing messages on their behalf<sup>1</sup>.

### OUR APPROACH

We have always paid careful attention to our ingredients from a food safety and quality perspective. Our Quality Policy drives us to reach the highest quality standards. It sets out to ensure excellence at the time of consumption, maximum product freshness, and product and packaging design that complies with environmental standards and avoids unnecessary waste.

While our products are a minor contributor to the overall daily calorific intake ([see page 60](#)), we are conscious of the challenges that obesity represents for society and have made it a priority to promote responsible consumption.

We believe all food types can be included as part of a varied and balanced diet, when consumed in proper amounts. Our approach is shaped by the latest science on food nutrition and focuses on:

- portions that let consumers manage their daily energy needs within their overall diet;
- high-quality ingredients that provide energy together with essential nutrients;
- food education including information on ingredients, foods, and structured eating occasions (balancing meals and snacks); and
- encouraging active lifestyles through our educational programme, Kinder Joy of moving.

Marketing and labelling ensure our communications are consistent with the principles of conscious consumption, physical activity and personal choice. To reinforce the credibility of our commitments, our annual performance in this area is certified by independent, external third-party organisations.

### OUR 2020 COMMITMENTS

#### 2020 Goals

#### Progress

**Food safety certification (FSSC 22000) for all Group production sites**



Achieved

WE HAVE ALWAYS PAID CAREFUL ATTENTION TO OUR INGREDIENTS FROM A FOOD SAFETY AND QUALITY PERSPECTIVE.

<sup>1</sup> <https://www.cim.co.uk/media/4986/leave-those-kids-alone.pdf>

## Products and ingredients' safety and quality

**The quality and safety of our products is of paramount importance. It starts with our suppliers, ensuring that we source safe, high-quality raw materials.**

Our goal is to meet the high standards set out in the Ferrero Food Safety Management System in all of our manufacturing plants and we carry out rigorous assessments of our products to ensure excellence in quality and freshness.

Our Quality Policy drives us to reach the highest standards for consumers. With its strong focus on quality and safety, our business model is built to ensure:

- excellence across all the senses, especially taste and smell, at the time of consumption;
- maximum product freshness throughout the entire supply chain; and
- attractive product and packaging design, in compliance with leading environmental standards to avoid unnecessary product and packaging waste. In some geographies, in some periods of the year high temperatures may affect the taste and smell of Ferrero products before they reach the consumer. To maintain our standards, we suspend the supply of highly sensitive products, such as Ferrero Rocher and Mon Chéri pralines, and, in some cases, we even remove them from the market.

### Our Quality System

Our Quality System comprises a network consisting of a Group Quality Department and Local Quality Departments at commercial and industrial subsidiaries spanning our markets around the world. The Group Quality Department supervises the entire value chain – from raw materials to market. It works closely with local Quality Departments to define quality objectives and monitor performance through a complex system of indicators and auditing procedures.

Quality results are collected in dedicated reports which are shared with relevant departments and Corporate Management. We are aiming to get closer to the needs of consumers by strengthening local quality monitoring and have launched a global change programme involving central and local Quality Departments to be rolled out in FY 19/20. Our annual global Quality Convention aims to strengthen the concept of Group Quality with three days of sharing ideas, best practice and problem solving. In FY 18/19, it was attended by around 100 Ferrero colleagues from around the world involved in Production Quality, Commercial Quality and the Group Quality Department.

In FY 18/19, across 21<sup>2</sup> Ferrero production plants, we carried out:

**694,676**

controls on raw materials including chemical, chemical-physical and microbiological analysis, as well as controls on semi-finished and finished products

**1,514,696**

controls on primary and secondary packaging including organoleptic tests and defect detection tests

The Ferrero Code of Business Conduct requires on-going and continuous inspections to be carried out at suppliers' production sites, during which we implement specific controls on the systems and procedures adopted by our suppliers to ensure the security and quality of supplies. All plants use an internal Group protocol in line with modern standards of risk analysis to define the type and frequency of the chemical-physical, microbiological and organoleptic controls that must be performed on samples from incoming supplies.

### Ensuring the quality and freshness of our products

We measure perceived quality at point-of-sale by checking finished products against a list of flaws related to perceived quality controls. In FY 18/19, we carried out tests to assess freshness of our finished products worldwide. Temperature data was collected and, in 387,347 cases, specific quality and consumer tests were carried out to verify the exact conditions to which products on the shelf were exposed.

In addition to laboratory tests, sensory evaluation ensures products comply with our high taste standards. This taste test judges the sensory aspects of a product as well as appearance and presentation.

Our global taste project, launched in FY 16/17, now involves 2,081 tasters around the world. They are selected and trained according to the Ferrero Group Tasting Procedure. The project aims to maintain trained panels with continuous taste tests and an increasing coverage and number of tasters. In FY 18/19, we carried out 94,414 taste tests during the production phase of Nutella®.

<sup>2</sup> Data reported do not include Yaoundé plant (Cameroon).

## Products and ingredients' safety and quality continued

### Listening to consumer feedback

A consistent and timely response to consumer requests allows us to reinforce trust and satisfaction. It also enables us to use complaints and feedback from consumers to continuously improve product quality. Our Complaint Management Quality System is applicable to all our affiliates and ensures we manage consumer complaints effectively consistently around the world.

Consumer feedback is managed through the Consumer Complaints Method function within the Ferrero Group Quality Department. It is responsible for providing process guidelines, Group tool implementation and continuous monitoring to ensure all our affiliates provide consumers with prompt and effective support.

### Certification and monitoring

To ensure the effectiveness of the Ferrero Quality System, all our production sites are subject to internationally-recognised quality certification by an accredited third-party Certification Body. We use the ISO 9001 standard, the international standard for Quality Management System certification, and our Food Safety Management System has been certified according to FSSC 22000, a global consumer goods industry assurance platform, across all our production plants<sup>4</sup>.

We apply other certified management standards locally, based on market demand.

They include International Featured Standards (IFS) Food, British Retail Consortium (BRC) Global Standards for Food Safety, Safe Quality Food (SQF) and government policy.

When we acquire new plants, we quickly activate certification procedures to ensure consistent standards across all our operations. Integration projects are currently on-going at our most recent acquisitions at Alfreton (UK), North Canton (US), Bloomington (US) and Franklin Park (US). Bloomington and Franklin Park are certified FSSC 22000 and are working to align their Quality Management System to ISO 9001 while Alfreton and North Canton have the target to achieve both ISO 9001 and FSSC 22000 certifications.

All of these plants are certified against Global Food Safety Initiative (GFSI) recognised schemes (BRC Global Standard for Alfreton, SQF for North Canton) which guarantee, together with the internal inspections performed by the Group Quality Production Auditors, full compliance with our food safety and quality management standards.

### How do we assure compliance at our production sites?

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

Within the framework of ISO 9001 certification, third-party surveillance audits were conducted at the Company headquarters in Luxembourg and four plants in FY 18/19: Pozzuolo (Italy), Quito (Ecuador), Hangzhou (China), Belsk (Poland). Overall results were positive with no site having any major "non-conformity" issues.

#### FSSC 22000 – Certification of the Ferrero Food Safety System

All certified production<sup>4</sup> plants in the Group were audited to verify compliance with the FSSC 22000 certification framework in FY 18/19. The overall outcome was positive with no critical "non-conformity" issues found.

#### IFS – Food

Audits were carried out during FY 18/19 to verify compliance with the IFS Food standard at five production plants: Alba (Italy), Arlon (Belgium), Belsk (Poland), Cork (Ireland) and Stadallendorf (Germany). The audits found a "Higher Level" of compliance, with an average score of over 98%.

<sup>4</sup> The Alfreton plant has the target to achieve both ISO 9001 and FSSC 22000 certifications.

"Ferrero CARE" is our Customer Relationship Management (CRM) tool, launched in 2017, to support the continuous improvement of complaints handling Group-wide.

By the end of FY 18/19, it had been rolled out to all Consumer Contact Centres and plants globally. The new CRM allows us to monitor consumer complaints trends with a coverage of 99.7% of sales volumes, the remaining 0.3% being in developing markets not yet covered by a Consumer Contact Centre.



## Quality and safety of our Surprises

**Safety-oriented design is one of the key pillars of Surprise toy development. Each item must comply with guidelines related to the dimension, shape and morphology of toys.**

**T**hese precautions include avoiding button cell batteries, magnets and colours that could be confused with chocolate. We use only high-quality materials chosen to avoid breakage of the toy and its parts to guarantee high design standards.

A physical prototype of each toy is created using 3D printing technology. This prototype reflects the shape and the function of the Surprise, while taking into account safety and production requirements:

**Safety Assessment:** we run an extended preventative safety assessment of every single toy during the design and prototype phases, with the assistance of accredited external laboratories and doctors.

**Medical check:** a dedicated working group analyses and evaluates whether aspects of the prototype comply with requirements based on medical criteria.

**Age grading evaluation:** age grading helps us to assess the appropriate age range for each Surprise toy based on psychological studies on learning development and current legal references<sup>5</sup>.

<sup>5</sup> European guidelines: CEN Report CR 14379: Classification of Toys – ISO/TR 8124-8: Age Determination Guidelines – CPSC Age Determination Guidelines: Relating Children's Age to Toy Characteristics and Play Behaviour: 2002.

The Ferrero Toys Testing Protocol states that Kinder® Surprises must be fully compliant with international regulations and Ferrero internal requirements.

Toy certification tests are performed by two independent, accredited laboratories – both world leaders in Safety Research and Certification: Certification Bodies UL and LGA laboratories. Once a toy successfully passes all our tests it is then approved for manufacture. These requirements include:

- a) International standards and regulations: we strictly apply international regulations: European directive on toy safety 2009/48/CE; the European toy safety standards on mechanical and chemical requirements (EN71); the international toy safety standard ISO 8124; MERCOSUR standards on internationally produced toys; national standards and legislations of all the countries where Surprise toys are commercialised (e.g. REACH regulation and ASTM F963 standard for the USA).
- b) Voluntary tests: we also carry out additional voluntary tests as part of the Ferrero Toys Testing Protocol which are more restrictive than those provided by international regulations. The number of tests required by the Ferrero Toys Testing Protocol is almost double the regulatory requirement, at 65 tests vs. 38.
- c) Local certifications: every single Surprise is certified by several certification bodies across Europe (the so-called "notified bodies" that are under the toy safety Directive 2009/48/CE).

**There is an evolution of kids' way of playing: the physical play. Modern kids are naturally switching between the digital to the physical worlds.**

While the physical experience is and remains crucial, the time spent on digital devices is constantly growing. Parents are aware of this new trend and it is becoming a growing concern. Grown-ups want to control what their kids are doing on digital devices both in terms of time spent and quality of the contents.

The Appplaydu App, launched in 2020, wants to intercept these two apparently contraposed needs in line with the Kinder® brand promise: "Delight kids while reassure parents".

Therefore, we partnered with Gameloft to develop an extremely engaging digital gaming experience and with Oxford University to make sure that every single detail is accurately crafted to support children's development. Through this innovative digital platform kids will discover a new generation of surprises where all physical toys come to life through augmented reality. A new era of interaction, storytelling and never-ending play for a magic and bigger WOW.

A new era of enjoyable learning and playing moments for kids thanks to the partnership support from Oxford University and Gameloft. All aspects of the app are consistent with our responsible marketing approach and compliant with our EU Pledge commitment and, therefore, contain no products ads nor marketing messages.

## EDUTAINMENT EXPERIENCE: GROWING WHILE PLAYING



In addition to our historical European production centres, we have invested in geographical decentralisation which has resulted in production centres in some emerging areas. Besides checking our toys, we carry out periodic ethical and safety audits on our suppliers' businesses which are mainly located in Europe, the Far East and India.

We have also devised and implemented a Code of Conduct for suppliers around the world covering the ethical and environmental aspects of manufacturing Surprise toys.

The Code of Conduct, called the "Ethical, Social and Environmental Requirements for Suppliers of KINDER® Surprise Toys", is inspired by the most advanced international ethical codes and is equally rigorous and detailed. The Code and its implementation provide reassurance that KINDER® Surprise toy suppliers are operating in compliance with our requirements regarding working conditions.

Manufacturers undergo a strict audit aimed at verifying that they respect the fundamental rights set out in the Code. We have appointed two third-party bodies (SGS and BUREAU VERITAS) to inspect KINDER® Surprise toy manufacturers. Suppliers are audited (announced and unannounced) to ensure that our ethical requirements are applied and complied with.

## Nutrition

**Ferrero produces and markets some of the world's best-loved confectionery products. We believe all food types can be consumed as part of a varied and balanced diet without excluding certain foods, specific ingredients or nutrients.**

**I**ne of our corporate goals is to help consumers to make proper food choices and to adopt a varied and balanced diet which provides essential nutrients and the right amount of energy from every food type.

In line with the scientific evidence, our strategy is based on the following key principles:

**1** Suitable serving sizes of our products that enable consumers to manage their daily energy needs within their overall diet.

**2** Careful selection of high-quality raw materials that provide energy and essential nutrients. The quantity and importance of these ingredients' natural components are preserved by strategic industrial processes, maintaining their physiological role.

**3** Promotion of ingredients, foods and structured eating occasions that can be integrated into food education programmes for consumers and the medical-scientific community.

**4** Education on the importance and benefits of an active lifestyle.

We have fused the concept of sustainability with the notions of a balanced diet and desire for well-being, concluding that a belief in and affirmation of sustainable nutrition is the only possible evolution of nutrition.

### How and when are our products consumed?

We have deepened and refined our analysis of the nutritional impacts of our products. In FY 18/19, we assessed 89 Stock Keeping Units (SKUs)<sup>6</sup>, covering 95%<sup>7</sup> of core marketed volumes. The role of our products within consumers' eating habits aligns with the sweet packaged food sector. Breakfast and Between Meals Eating Episodes (BMEE) are the most common eating occasions for Ferrero products, covering more than two-thirds of our marketed volumes. We contribute to efforts to promote breakfast and encourage moderate food consumption among all age groups.

66

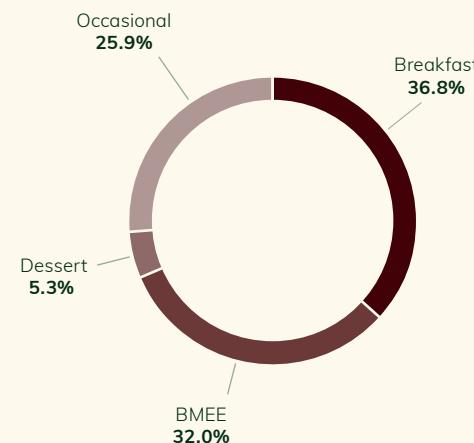
**91% OF OUR MARKETED VOLUME HAS A SERVING SIZE WITH A CALORIE LOAD OF ≤130 KCAL.**

99

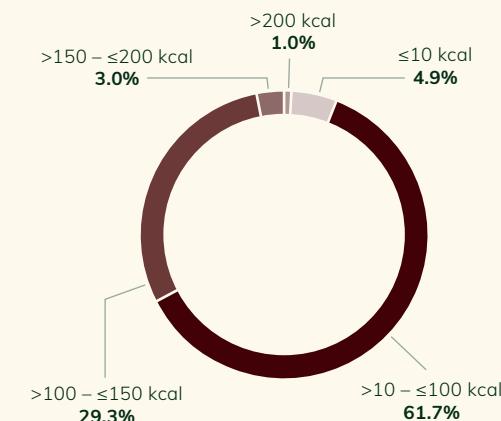
<sup>6</sup> SKUs: for the purpose of this chapter SKU means aggregated products with similar nutritional profile.

<sup>7</sup> Exclusion criteria concerns mixes (seasonal and stable products of which marketed values do not referred to specific product), mini versions (when they do not report a codified portion) and some seasonal products (marketed for specific occasions for sharing and festive moments).

### Repartition of the products according to the target eating occasions, on marketed volumes\*



### Repartition of the SKUs according to the energy delivered by portion, on marketed volumes\*



### Great brands in small portions

We offer most of our products as single-wrapped portions. This enables people to enjoy them within a varied diet, in small portions with a low calorie load.

In accordance with our nutritional principles, 91% of our marketed volume has a serving size with a calorie load of ≤130 kcal. This is a similar level to previous years and confirms our commitment to promoting products that can be flexibly combined in individual structured eating episodes. Of our marketed volumes in FY 18/19, two-thirds were marketed in a portion of 100 kcal or less and only around 4% provided more than 150 kcal/serving.

	FY 18/19	FY 17/18
≤10 kcal	4.9%	5.3%
>10 - ≤100 kcal	61.7%	63.1%
>100 - ≤150 kcal	29.3%	27.7%
>150 - ≤200 kcal	3.0%	2.9%
>200 kcal	1.0%	1.0%

\* Volume of SKUs marketed worldwide, in the FY 2018/2019. Ferrero internal source.

## Nutrition continued

The Glycaemic Index (GI) is a relative ranking of carbohydrate in foods according to how they affect blood glucose levels. Carbohydrates with a low GI value (55 or less) are more slowly digested, absorbed and metabolised. They cause a lower and slower rise in blood glucose and, usually, insulin levels.

We have data on the GI of 84% of our core marketed volumes and we determine GI of all new products when they are launched on market. Due to their composition and structure, the majority of our analysed products have a low (55 or less) or medium (56-69) GI. 87% of SKUs are rated low GI, 10% medium and only 3% high GI (70 and above).

Ferrero's strategy includes the merger and acquisition of brands and we aim to reach a common standard across core Ferrero products and newly acquired commercial brands/entities. People centricity is fundamental to our ethical approach and we follow a step-by-step process to uniform standards in order to let "new" consumers adapt to our core nutritional principles.

Supporting the concept of "Great brands in small portions", Thorntons, the first of our recent acquisitions, commercialises choco-pralines with historical crafting quality, characterised by a single weight of around 10 g or less and an approximate energy load of less than 100 kcal, with common values around 50-60 kcal/piece. This small calorie intake provides a masterpiece taste experience.

### Our science-led approach

We think food education is the most efficient and effective way to promote conscious nutrition and healthy diet choices. Our educational programme is constantly expanding to cover new ways of improving food and nutrition knowledge and information, including within our own Company.

We work with recognised experts of the medical-scientific community to spread scientific knowledge among Ferrero employees. We also study the latest science-based data to understand the impact of ingredients and our products on peoples' health.

In FY 18/19, we carried out and supported scientific research activities with various internationally recognised scientific institutes. We work with university research groups, providing unrestricted grants and maintaining the principle of impartiality, independence and intellectual freedom to obtain solid scientific results. The results of this research are disseminated through conferences, congresses and workshops and published in scientific journals.

We publish an official list of research results online showing some of the scientific work undertaken in last three years by the Group.



[Download the list of scientific research and conferences up to FY 18/19.](#)

## PRODUCTS REFORMULATIONS

Control of the serving is a solid way to control the intake of nutrients such as sugar and fats, which characterise confectionery.



The majority of our SKUs have 8.4 g or less sugar per portion, 5.3 g and 2.5 g total and saturated fatty acid per portion, and 18.2 mg or less of sodium per portion. Nevertheless, we are always looking at how to improve our recipes and in FY 18/19 we reformulated or launched a number of existing and new products including:

- A ready-to-drink tea with a reduced sugar content (6.3 g/100 ml);
- Our first bakery product made with wholegrain flour; and
- Two breakfast biscuits containing seven cereals and more than 3 g dietary fibre per 100 g.

## Responsible communications, marketing and labelling

We are committed to responsible communications that assist consumers in making appropriate choices about the food and beverage products they buy and consume. Communications and labelling help consumers understand the role of nutrition, diet and movement in achieving a healthy and active lifestyle.

Globally, the increasing focus on diet, physical activity and health has put a spotlight on transparent marking and communications. As a leading producer of chocolate and confectionery, we ensure our communications are consistent with the principles of good nutrition, balanced diet, physical activity and personal choice.

Responsible marketing can be a powerful force for behaviour change; we use it to convey the information consumers need to make responsible choices about our products and to engage them on the issues they are interested in. We go beyond legal requirements by adopting self-regulation schemes on nutrition labelling and advertising to tangibly improve our positive social impact.

### Commitment to voluntary self-regulation

We consistently apply the “Framework for responsible food and beverage communication”, adopted by the International Chamber of Commerce (ICC) – the world’s foremost business organisation promoting high standards of business ethics through the development and dissemination of codes and guidance on responsible marketing and advertising communications.

Effective self-regulation of commercial communications provides a valuable framework to serve consumers’ interest in receiving truthful and accurate communications. We recognise the need for proper enforcement mechanisms to sanction or amend advertisements that do not meet these self-regulatory requirements.

Ferrero is an active player in the self-regulatory process at national and international levels. In particular, we are a member of:

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

We also participate in a number of self-regulatory initiatives in Europe, which include the EU Pledge on responsible marketing to children and the Supply Chain Initiative to promote fair practices along the food supply chain. Our activities are subject to external monitoring against these frameworks by certified, external third parties.

### Responsible marketing to children

As a global commitment, we apply the IFBA Global Policy on Advertising and Marketing Communications to Children. This means we do not advertise our food products through TV, radio, print, cinema, online (including Company-owned websites and social media), DVD/CD-ROM, direct marketing, product placement, interactive games, outdoor marketing, mobile and SMS marketing to audiences primarily composed of children under the age of 12.

Beyond the placement of product marketing communications, we consider the content of our advertising to ensure it is not designed to appeal primarily to children under 12. In Europe, we take part in the EU Pledge initiative which mirrors the parameters of our global commitment and fosters a responsible approach to food product advertising to children under the age of 12 across the same media. In 2019, Ferrero worked with the other EU Pledge members to update the common guidelines to clarify rules applicable to influencer marketing, a form of social media marketing involving endorsements and product placements from influencers. The updated EU Pledge Implementation Guidance Note will be published in 2020.

Internally, our teams involved in responsible marketing and advertising – namely Institutional Affairs, Marketing, Legal, Media Planning and business units – work together to ensure the highest possible level of compliance. We continue to develop internal guidance and training tailored to the specific needs of the different markets and regions.

All of our responsible marketing commitments are included in the [Ferrero Advertising and Marketing Principles](#).

These are frequently updated to keep up with the latest developments of the self-regulatory frameworks and are publicly available on our corporate websites.

**FERRERO IS AN ACTIVE PLAYER IN THE SELF-REGULATORY PROCESS AT NATIONAL AND INTERNATIONAL LEVELS.**

## Responsible communications, marketing and labelling continued

### How responsible is our marketing and advertising?

Compliance with the EU Pledge<sup>8</sup> commitment is subject to annual monitoring carried out by two independent third-party organisations: Accenture Media Management<sup>9</sup> for television advertising and the European Advertising Standards Alliance (EASA) for brand websites, social media profiles and influencer marketing posts<sup>9</sup>.

In FY 18/19, the overall compliance rate for television advertising for Ferrero was 98.6%. EASA assessed eight Company websites belonging to Ferrero and all were found to be compliant with the EU Pledge. Of eight Ferrero social media profiles assessed, seven were found to be compliant with the EU Pledge and one was considered to include some elements that could be primarily appealing to children under 12 years of age.

# 98.6%

Overall compliance rate for television advertising

<sup>8</sup> The data presented in the Accenture Media Management report refers to the first quarter of 2019 and covers monitoring of television advertising broadcasts in France, Germany, Hungary, Italy, Portugal and Spain.

<sup>9</sup> In 2019, EASA monitored brand websites, social media profiles and influencer marketing through evaluations carried out by the national advertising self-regulatory organisations in Czech Republic, France, Germany, Greece, Italy, Spain, Sweden and The Netherlands.

Corrective measures to align this profile to our principles were implemented right after receiving the external assessment. Nine influencer marketing posts contractually linked to Ferrero were reviewed and all were found to be compliant with the EU Pledge.

### Commitment to healthy lifestyles

Ferrero has made a series of commitments on healthy lifestyles under the framework of the European Platform for Diet, Physical Activity and Health. These concern product formulation and portion size, responsible advertising and promotion of physical activity through national Ensemble Prévenons l'Obésité Des Enfants<sup>10</sup> (EPODE)-based programmes in selected countries.

The European Commission has formally recognised EPODE as a best-practice model because it brings stakeholders together – including local authorities, health professionals, teachers, private partners and local communities – in an integrated approach to help prevent childhood obesity. We have been a partner of the EPODE and the European EpoDE Network since 2007.

In 2019, we participated in national EPODE projects in the following European countries:

- France: “Vivons en forme” (VIF) – a campaign engaging 251 municipalities and reaching 567,545 children and parents as well as reaching around 6,780 people through 620 trainings.

<sup>10</sup> Together Let's Prevent Childhood Obesity.

- Belgium: ‘VIASANO’ – 21 stakeholder meetings including a series of strategic and exchange meetings with JOGG & VIASANO Flanders.
- The Netherlands: ‘JOGG’ – creating a playground in the neighbourhood of Wisselaar, to encourage children to be more active in collaboration with JOGG-Breda.

### Commitment to transparent labelling

Our labels speak for themselves, providing consumers with accurate and transparent nutrition information on the back of packs in compliance with current legislation in different countries.

In line with the requirements of Regulation (EU) No. 1169/2011 on the provision of food information to consumers, we voluntarily provide nutrition information on the front of pack of 100%<sup>11</sup> of our eligible products in the EU (KINDER® and Nutella® ranges and Ferrero snacks), respecting the labelling recommendations of FoodDrinkEurope. We also offer voluntary nutritional information on the front of packs outside the EU to ensure consistency across the Group. The nutrition information displayed includes the energy value and amount of nutrients per 100 g of product and per portion, as well as an indication of what this amount represents as a percentage of an average person's daily dietary needs.

Globally, we are committed to meeting the IFBA Principles for a Global Approach to Fact-based Nutrition Information<sup>12</sup> on eligible products. This was finalised in January 2017 in countries where local regulation allows it. The general principles are that the provision of nutrition information should be:

- Objective, fact- and science-based;
- Presented in a legible, clear and visible format; and
- Understandable to consumers to enable them to make informed dietary decisions about the foods and beverages they choose.

Additional specific principles relate to the content and presentation of nutrition information on the front and backs of packaging.

In countries where a recognised reference intake value does not exist or is not permitted, only the calorie content per 100 g and/or per portion is displayed on our packaging. In other countries, these values are displayed in absolute terms and as a percentage of the applicable reference intake.

<sup>11</sup> This percentage does not cover small packs or seasonal products, as the recommendation explicitly exempts such categories.

<sup>12</sup> [https://ifballiance.org/uploads/ifbaResource/report/59e4cf81c68a1\\_ifba-commitment-on-nutrition-information-final-september-2014.pdf](https://ifballiance.org/uploads/ifbaResource/report/59e4cf81c68a1_ifba-commitment-on-nutrition-information-final-september-2014.pdf)



# EMPOWER PEOPLE FOR THE BETTER

We care about our people. We will continue to develop and motivate our people and focus on strengthening diversity and inclusion across the business.

## How we empower people for the better

### WHY DOES IT MATTER?

At Ferrero, we believe that a diverse and inclusive workforce is crucial to long-term business success. We aim to motivate our employees and improve their decision making, consumer focus and engagement.

With over 35,000 employees based in more than 50 countries, we need to engage and develop all of our people to ensure our business continues to grow and succeed. This means listening and responding to their views and creating a working environment where people feel valued and able to grow.

Respect for human rights is of paramount importance at Ferrero, both within our operations and in our supply chains. Worker safety, labour rights and children's rights are key issues that we must address, along with our impacts on local communities.

**THE FERRERO ENGAGEMENT FRAMEWORK AND MODEL IS BASED ON THE EMPLOYEE LIFE-CYCLE. ENGAGING EMPLOYEES TO EMBRACE DIGITALISATION AND TO FACILITATE OPEN, CONSISTENT AND FAST COMMUNICATION ACROSS ALL COUNTRIES IS A HIGH PRIORITY.**

### OUR APPROACH

#### Ferrero people

Ferrero employees are exposed to the Company vision upon joining the Company and we engage them throughout the employee lifecycle to maximise their contribution. The Ferrero People Centricity Strategy is focused on bringing about positive change for internal stakeholder groups in three key ways:

- Evolution of the relationship between Ferrero and its employees, including enabling proactivity and accountability for growth and career development through digitalisation.
- Developing a new role and expectations of line managers to act as catalysts for change through the Line Managers Excellence manifesto and programme.
- Enabling HR professionals to play an innovative and transformative role as guarantors of process, while facilitating managers to be accountable and proactive.

The strategy is organised around the Employee LifeCycle ([see page 67](#)), which guides all aspects of employee engagement, development of HR processes and tools and the role of line managers.

#### Extending our commitment to our communities

We extend our focus on people to the whole value chain, ensuring we uphold high standards of safety, human and labour rights in our global supply chains. We apply a due diligence-based approach to ensure the standards set out in the Ferrero Code of Ethics and Code of Business Conduct are adhered to by our employees, suppliers and collaborators. We also deliver societal impact through our social activities:

- The Ferrero Foundation;
- Michele Ferrero Entrepreneurial Project; and
- Kinder Joy of moving.

### LOOKING AHEAD

In line with our people-centric strategy, we will maintain our commitment to:

- Developing our new Human Rights Strategy.
- Attract, retain and motivate our talented employees around the globe, consistently and holistically.
- Provide fair and competitive, well-balanced tangible and intangible rewards, in all markets, considering local or regulatory needs and requirements and opportunities.
- Ensure an inspiring, diverse and inclusive work environment, in which highly committed employees contribute to sustainable business growth and results.
- Improve and expand Ferrero Know-How Academies in order to strengthen and develop the professionalism of employees who protect and manage corporate knowledge and business assets.
- Further develop job placement projects that are already in place to attract young workers.

### OUR 2020 COMMITMENTS

2020 Goals	Progress
<b>5% increase of women in managerial positions</b> +4.4% compared to August 2015	 In progress (Considered women in Middle Manager (MM) and above position)
<b>Promote internal initiatives to support a “culture of diversity”</b> The goal is achieved and the programme continues (a Diversity Manager position has been created in 2019)	 Achieved



- Reinforce a culture of health and safety and increase employee participation in initiatives.
- Enhance our integrity and ethics strategy through learning programmes and increased visibility of the Code of Ethics.
- Continue our journey of digital transformation to improve communication, business processes and ways of working.
- Continue deploying the activities of Ferrero Foundation, Michele Ferrero Entrepreneurial Project and Kinder Joy of moving programme.

## Human rights

**Together with the Company values, Ferrero's respect for human rights guides strategy, policy and everyday activities across our own operations and supply chain.**

We strongly promote respect for human rights along our value chain, adhering to the Ten Principles of the United Nations Global Compact and to the United Nations Guiding Principles of Business and Human Rights (UNGPs).

We are determined to eliminate all forms of modern slavery, human trafficking, forced, compulsory and prison labour, and child labour.

### Understanding our human rights risks

To strengthen our implementation of the UNGPs, we collaborate with Shift, the leading centre of expertise on the UN Guiding Principles on Business and Human Rights globally. In 2018, Shift designed and facilitated a workshop to explore our responsibilities under the framework of the UNGPs and to initiate the process of identifying and prioritising the Company's salient human rights issues across its operations and the value chain.

We identified 10 key areas where we prioritise our efforts across our value chain:

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

Ferrero's [Human Rights Policy Statement](#) sets out our commitment to address these issues. It also highlights our approach and drives engagement with our employees, business partners and relevant stakeholders in implementing our human rights principles.

### Human rights due diligence

We take a due diligence-based approach by identifying, preventing and addressing any adverse human rights impacts we may cause, contribute to, or are directly linked to our operations, products or services through our business relationships in the value chain. As human rights issues are systemic, we expect our business partners to take appropriate steps and measures to do the same.

The Ferrero Code of Ethics, the Human Rights Policy Statement, the Code of Business Conduct and the Supplier Code clearly set out our human rights expectations of our employees, suppliers and collaborators. We have conducted a gap analysis to inform our future approach towards addressing human rights – including developing a Human Rights Due Diligence Framework and identifying remediation actions.

### Partnerships and collaboration

Partnerships are critical to addressing complex human rights issues and we collaborate with a variety of stakeholders – including business partners, international organisations, governments and NGOs – to tackle potential issues in our supply chain.

In the agricultural sector, migrant workers, women and children may be exposed to hazardous conditions and can be vulnerable to poor labour practices such as forced labour, human trafficking and child labour.

We are committed to working with others to raise awareness of these issues, tackle the root causes and advance the promotion of human rights in agricultural supply chains, reaching all the way to our farmers and workers. The Ferrero Farming Value (FFV) programme focuses on addressing key sustainability impact areas including human and labour rights for each of our main raw materials ([see page 34](#)).

### LOOKING AHEAD



We are in the process of developing a new Human Rights Strategy for 2030 and strengthening our Company-wide approach including:

- Implementing a human rights policy statement in line with UN Guiding Principles and current regulatory trends and strengthening our human rights governance;
- Developing a human rights due diligence framework and embedding strong human rights due diligence including clear standards and risk assessments to assess human rights risk areas within our operations and supply chain and approaches to address those risks;
- Developing human rights grievance mechanisms and a remediation policy which we will also extend to our operations and supply chain; and
- Capacity building through training and awareness raising of human rights risks and issues, as well as responsible sourcing.

## People engagement

**The Ferrero engagement framework and model is based on the Employee LifeCycle. Engaging employees to embrace digitalisation and to facilitate open, consistent and fast communication across all countries is a high priority.**

The "YOUr Life in Ferrero" programme comprises global and local action plans that have seen hundreds of initiatives deployed at Group and local levels to engage employees. We engage all employees to embrace digital behaviour and attitude and facilitate open, consistent and faster communication across all countries.

We use the results of our global **YOU employee survey**, conducted every two years, to focus activities on key opportunities for improvement. The survey enables us to collect the voices of more than 20,000 employees. We analyse the quantitative results and also more than 22,000 qualitative comments made by participants.

**Forward** is our digital platform, available in 10 different languages, that provides a key entry point for employees to Company news, tools and applications. Our aim is that all employee groups will be able to access content from their computers, smartphones and other devices – anytime, anywhere.

Forward continues to evolve and grow. We are in the process of rolling out an extension to the 20,000+ people who work in production in our factories worldwide to access Forward using on-site kiosks and also their own personal devices. After the official launch of Forward in 2018, Italy was the first country to grant access to the 3,000 employees working at its production sites with a dedicated content section. We are in the process of deploying this solution across the rest of the Group.

Building on the positive experience of Italy, **Forward TV** has started the global roll out of eye-catching visual communications. Digital signage is now broadcast at Italian, French, Polish and Belgian sites with the aim to cover all Group locations in the coming years.

The corporate social network "**Yammer**" has made employee communication available anytime, anywhere.

It enables employees to exchange information and stay connected with their colleagues around the world. As of August 2019, there were almost 9,000 users and some 20,800 messages had received more than two million views.

### Total Reward

Our Total Reward programme resulted from feedback from our worldwide employee survey highlighting the need to improve transparency on benefits and perks. It provides a comprehensive and transparent view of benefits for our employees across: remuneration and benefits; growth and development; health, safety and well-being; and culture and values.

A digital platform promotes access to the global concept, describes group-targeted local benefits in each country, and provides a Total Reward Statement that displays each employee's individual monetary package.

After a successful launch in Germany in May 2018, the project is being rolled out around the world to allow more employees to discover the benefits available to them. As of August 2019, over 12,200 employees were covered by Total Reward.

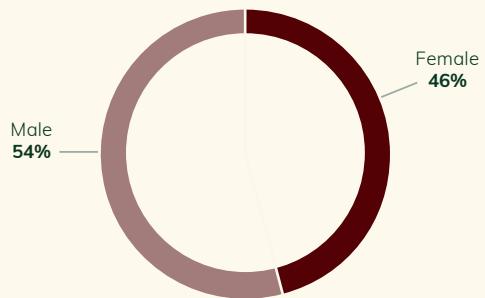


## Diversity & Inclusion

**Our employees around the world inspire us to celebrate our cultural diversity. We aim to create a workplace where everyone feels valued and respected; a place where employees can be themselves and work together to reach common goals. The more we collaborate and value difference, the closer we get to working in a truly inclusive community.**

Our diversity programme focuses the four dimensions of gender, nationality, generations and working culture. Increasing gender balance among our senior management is a priority for the future.

### Workforce gender diversity



### OUR 2020 COMMITMENT

#### Promote internal initiatives to support a culture of diversity

We are at an early stage in our journey and we have more to do to reach our diversity and inclusion (D&I) goals. We are working on a three-year plan for how we will do it, including initiatives to address aspects such as recruitment, succession planning, learning, flexible working and reward.

In FY 18/19, we collected feedback and recommendations from our managers, and we have appointed a dedicated team to help drive work on key D&I goals. The team has worked to identify KPIs and concrete initiatives that are being deployed from FY 19/20 onwards. One of the first actions will be the hiring of a D&I Manager in FY 19/20.

All employees will have access to the Country Navigator, a cross-cultural platform that supports people from different backgrounds to improve cultural intelligence. The platform consists of country profiles, covering cultural knowledge and business etiquette, and provides individual cultural assessments that employees and managers can use to compare their results and learn how to be more aware of and sensitive to different cultural backgrounds. Many of our regions are working on D&I Programmes to address local needs.

In May 2019, we celebrated the United Nations' World Day for Cultural Diversity for Dialogue and Development with internal communications to support the official launch of our D&I commitment. Moving forwards, we will give more visibility to local programmes using our internal communication channels

### Addressing gender balance among our managerial positions

Our total workforce has a gender balance of 46% female and 54% male. Among our managerial positions (middle manager and above), there are 30.2% women. We have committed to increase the number of women in managerial positions by 5% baseline by 2020 against an August 2015 baseline. As of August 2019, we had achieved a 4% increase.

### OUR 2020 COMMITMENT

#### 5% increase of women in managerial positions

(baseline August 2015)

One of the challenges we face in improving the gender balance of our senior management is that Ferrero is a family company with a very low turnover. We pride ourselves on providing long-term, secure employment for our people and this is seen as a strength of our organisation. However, our low turnover means that achieving meaningful change in gender balance at senior levels will take time.

### Group workforce

Employee category	as of 31/08/2018			as of 31/08/2019		
	TOTAL no. employees	Women %	Men %	TOTAL no. employees	Women %	Men %
Blue collar	21,015	48.40%	51.60%	22,308	49.00%	51.00%
Employees	9,693	44.10%	55.90%	10,068	44.84%	55.16%
Middle manager	2,457	34.40%	65.60%	2,549	35.66%	64.34%
Senior manager	980	16.00%	84.00%	1,038	16.96%	83.04%
<b>TOTAL</b>	<b>34,145</b>	<b>45.20%</b>	<b>54.80%</b>	<b>35,963</b>	<b>45.96%</b>	<b>54.04%</b>

## Continuous learning

**At Ferrero, learning is part of our DNA. As a growing and changing company, we support the growth and development of our people.**

Globally and locally, our employees have access to online and live learning experiences. From the time they join us through to retirement, there are many options for Ferrero people to grow and develop in a bespoke way through Ferrero University. It has evolved to comprise three pillars:

1

**STARTING THE LEARNING JOURNEY**  
**WELCOME TO FERRERO**

2

**BUILDING TECHNICAL SKILLS**  
**FERRERO KNOW-HOW ACADEMIES**

3

**BECOMING A LEADER**  
**FERRERO LEADERS**

1

### STARTING THE LEARNING JOURNEY

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

#### JOIN!

JOIN! is a 12-month targeted programme for training new graduates. In FY 18/19, 232 graduates from Europe, Israel, India, China, UAE, Russia, United Kingdom and Turkey participated in six separate editions of JOIN! We have redesigned the Global Business Project part of the programme. Participants are split into smaller groups to work on a common project for four months – enabling them to work with new people and actively apply what they learnt during the programme.

#### Ferrerit 

Ferrerit  is a programme to enable new employees to understand the spirit of the Company, its culture, values and business model. In FY 18/19, we delivered 10 editions of the programme in Italy, Luxembourg, Mexico, Poland, China, USA, UAE, India and the UK. Nearly 800 employees participated, exploring the Ferrero value chain and searching for the answer to the question: "What is Ferrerit ? What does it mean to me?"

Next year, Ferrero University will increase global accessibility with delivery of global sessions for managers in Luxembourg and Regional Talent teams will be empowered to deliver content locally.

2

### BUILDING TECHNICAL SKILLS

Know-How Academies safeguard and disseminate our distinctive expertise. An Academy Board governs each Academy and is responsible for the professional training programmes that the Academy designs and delivers. We have 12 Academies and programmes and 64 trainers have been accredited worldwide. By the end of FY 18/19, Ferrero Academies offered 119 training programmes and there were 85 Senior Ferrero Leaders involved on the Academy Boards.

#### The Academies

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

**KNOW-HOW  
ACADEMIES  
SAFEGUARD AND  
DISSEMINATE  
OUR DISTINCTIVE  
EXPERTISE.**

## Continuous learning continued

3

### BECOMING A LEADER

#### Ferrero LEAD

All newly appointed senior managers have the opportunity to attend Ferrero LEAD – a five-day programme that works in parallel on three streams of work:

**Business:** an opportunity to share and discuss current and future business and organisational challenges with executive managers.

**Leadership behaviours:** developing a deeper understanding of expectations around leadership, leveraging the Ferrero Core Competencies Model.

**People management in action:** reflecting on the role of leaders with reference to people development and growth in the organisation.

This programme supports senior managers to grow into their new position and helps them face the challenges they may face. Living and sharing the experience with a community of peers from all over the world creates a foundation for their future career as a leader in the Company.

#### Masters in International Management

FY 18/19 saw the second cohort of this bespoke Masters programme, jointly designed with the prestigious Italian international business school, SDA Bocconi, complete their 18-month learning journey. 34 participants graduated in May 2019.

#### People Centricity for Line Managers

People Centricity for Line Managers is a key initiative of the Line Managers Excellence Programme. It is a two-day training developed by Ferrero University and deployed in Ferrero locations around the world. Its aim is to familiarise participants with the Ferrero Line Managers Excellence Manifesto and the Core Competencies Model. As of August 2019, 147 courses had been organised, reaching 65% of the target population of 3,000 Ferrero line managers.

#### Performance management

Our Performance Evaluation process is based on employee achievement and behaviours across three dimensions: individual performance, contribution to the team and contribution to the matrix organisation (multifunctional team) – all of which must reflect the Ferrero values and core competencies. Employees receive feedback from their professional and managerial head and internal clients. In FY 18/19, 12,477 employees (55% employees, 32% middle managers and 13% senior managers) at 57 locations were involved in the performance evaluation process, of which 42% were women and 58% were men.



### FERRERO UNIVERSITY

Ferrero University's 24/7 online learning platform, YourLearning@FerreroUniversity, provides employees with a single point of access to content from Harvard and getAbstract, as well as a further 30,000 digital learning assets.

# 800,000+

hours of training delivered in FY 18/19

It facilitates continuous learning and empowers learners to research a topic, acquire knowledge in a certain area or learn more about a targeted process or skill, at anytime, anywhere and on any device.

In FY 2018/2019, more than 800,000 hours of training were delivered, equivalent to 25 hours per employee.

## Employee rights

**Ferrero has a long history of upholding employee rights and maintaining positive and constructive industrial relations.**

In 2019, we finalised the renewal of union agreements in 10 countries. Negotiations were completed to the satisfaction of all stakeholders, employees, trade unions and confederations. Besides wage increases, negotiations concentrated on regulating work organisation and Company welfare to increase employee well-being and work-life balance.

The process of renewal negotiations in France took place during a period of social unease driven by the birth of the "gilets jaunes" protest movement. The fact that the union negotiation was signed during the strike initiative did not prevent a positive conclusion being reached, with the agreement signed unanimously by all the trade unions to the overall satisfaction of the workers concerned.

### Driving improvements in workplace conditions

In 2019, Ferrero implemented an ethical audit programme involving 22 plants using the Smeta 6.0 four pillars methodology which combines best-practice ethical audit techniques focused on our pillars of labour, health and safety, environment and business ethics. The aim of the programme is to increase sensitivity and attention to ethical issues by defining projects and actions to progressively harmonise plants, bringing them all to a level of excellence.

### Activities of the European Works Council

The European Works Council (EWC) involves more than 18,000 employees<sup>1</sup> (corresponding to approximately 54% of all Ferrero Group employees) of Ferrero's commercial network covering 10 plants in Italy, Germany, Belgium, France, Poland, Ireland and the UK. The mutual agreement and communication among the European plants reinforce our network and way of working.

The annual EWC joint seminar took place in Florence (Italy) in March 2019. It focused on social sustainability, building on the previous year's topic of environmental sustainability. The event included contributions from experts of the Organisation for Economic and Cooperation and Development (OECD), Eurofund and the European Trade Union Confederation (ETUC).

The October institutional meeting took place in Frankfurt (Germany) in October 2019. Discussions covered a range of strategic topics:

- The coordinators of the Health and Safety and Corporate Social Responsibility Lab presented activities attributable to the "For" and "DuPont" projects.
- Participants launched a new project to develop a health and safety course to be implemented in the represented plants and a process to collect the best practices from production sites for sharing across the Group.
- The Ferrero Chief HR Officer presented the new Group HR organisation and an overview of the main projects of the HR family.
- The Regional & Industrial & Supply HR Business Partner clarified the new approaches and organisational structures responsible for guiding the Group.
- Ferrero also presented the main innovation projects related to the world of packaging.

**IN 2019, FERRERO IMPLEMENTED AN ETHICAL AUDIT PROGRAMME INVOLVING 22 PLANTS USING THE SMETA 6.0 FOUR PILLARS METHODOLOGY WHICH COMBINES BEST-PRACTICE ETHICAL AUDIT TECHNIQUES FOCUSED ON PILLARS OF LABOUR, HEALTH AND SAFETY, ENVIRONMENT AND BUSINESS ETHICS.**

## Health and safety

**Ferrero is committed to Zero Accidents in its operations through the continuous improvement and implementation of robust safety management systems. Visible leadership, safe behaviours and ensuring our employees are trained and equipped to carry out their work safely are key.**

### Our approach

Our Group strategic approach ensures the health and safety (H&S) of our employees, contractors, visitors and all other parties that may come under the influence of Ferrero through:

- Defined safety standards and operational tools for key activities to ensure safe conditions in the workplace;
- Risk assessments to ensure plants and equipment are designed, operated and maintained to minimise risks;
- Eliminating occupational illnesses by reducing workplace exposure of workers in our manufacturing facilities;
- Transparent and effective information using appropriate tools for reporting and analysing accidents and sharing best practices and recommendations; and
- Training and equipping people to carry out their work in a healthy way, minimising their exposure to hazards while ensuring their concerns and needs are considered.

All our production facilities must comply with applicable legislation in the country of operation, as well as Ferrero's internal requirements – whichever is stricter. In FY 18/19, Ferrero strengthened its organisational H&S structure to consolidate activities in manufacturing and extend efforts beyond operations, starting with the Agri-business. The methodology is based on the gradual and progressive application of requirements supported by the implementation of specific operational tools.

Looking ahead, the new Group Health and Safety Function will further develop Ferrero Group H&S standards to be embedded in all operations.

### Developing our safety culture

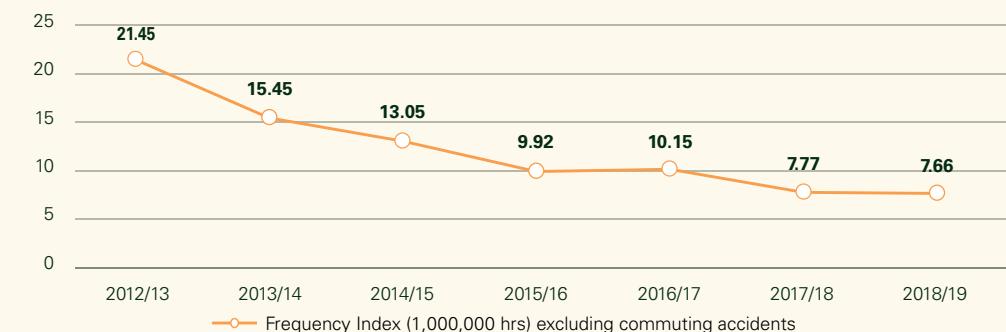
In a bid to accelerate efforts to reach Zero Accidents, we have defined new leading and lagging targets and KPIs and a new global reporting system. This work builds on the Ferrero Operational Requirements Health and Safety.

We have created a new global functional strategy, which includes the roll-out of a Safety Culture Assessment Process.

### Our FY 18/19 performance

In FY 18/19, the Lost Day Incidents Rate (LDIR) for production plants fell from 7.77 accidents per million hours worked to 7.66 (-1.4%). The accident severity index fell from 0.151 to 0.137 (-9.3%). The trend for the last seven years is consistent with the frequency index decreasing by 64% and the severity index reducing by 50%. Data and trends by geographical area can be found in Appendix ([see page 83](#)).

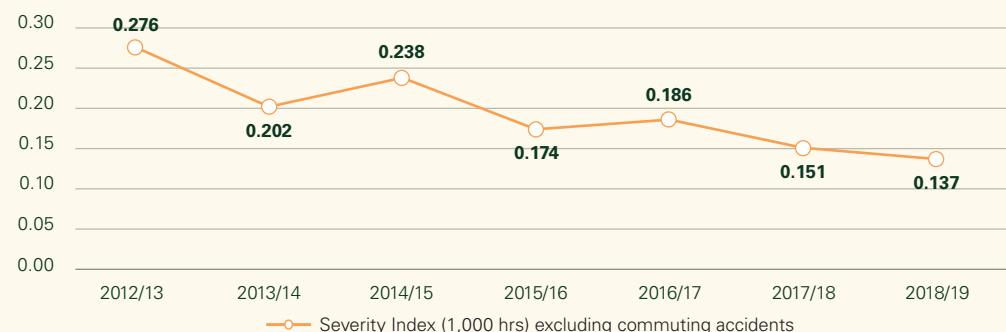
#### Accident frequency rate



1 From September 2018, we have used the LDIR (Number of accidents per million worked hours more than one day of absence from work) as the Frequency index. Data of previous years has been recalculated taking into consideration the new frequency index. From FY 17/18, the frequency index was calculated including temporary workers, excluding commuting accidents affecting temporary workers

2 The injury severity index measures the days of work missed every 1,000 hours worked

#### Accident severity rate



Criteria: The injuries included for the KPIs are the ones with an absence of more than one day (excluding commuting accidents); temporary worker data is included for FY 2018/2019.

## Health and safety continued

### Training

In FY 18/19, over 29,700 employees working at our plants participated in 139,500 hours of H&S training. The average number of hours of training offered was approximately 4.7 hours per employee working in production plants. Training topics are decided according to the position (worker, supervisor, manager) and the specific risks faced (electrical risk, confined spaces, work at heights, fork lift driver risk, first aid, fire risk, etc.). Particular attention is paid to machinery risks and emergency preparedness of first aiders and firefighters. Specific training was delivered on the Ferrero Operational Requirements H&S Programme.

Our plants around the world develop campaigns and training to address local health and safety needs. For example:

- San José (Mexico) launched a health and safety prevention programme focused on key issues including work injuries, chronic diseases and violence at work;
- La Pastora (Argentina) launched a communication campaign to introduce its Safety Golden Rules;
- Vladimir (Russia) delivered targeted regional initiatives to reinforce the commitment on safety and improve the safety culture; and
- Ferrero Italy launched a new safety tool called “Safety Dialogues” which aims to share beliefs, values and attitudes to develop safe habits, behaviours and mindset.

A Safety Dialogue is a moment that is planned or initiated on impulse and involves a two-way discussion between employees, managers and supervisors during a normal production situation.

It is usually triggered by a certain safety behaviour – either positive or negative – and focuses on the risk perception and the potential consequences of that behaviour. The session ends with a commitment to adjust or reinforce the behaviour. Training on soft skills has been delivered to around 140 leaders and managers and supervisors to enable them to lead discussions by listening and with empathy. Dedicated software has been adopted to collect feedback and a specific KPI has been defined.

In FY 18/19, there were 3,247 Safety Dialogues (61% in response to positive behaviours and 39% triggered by a negative behaviour). During the same time period, there were 91 fewer first aid events.

# 3,247

Safety Dialogues  
in FY 18/19



### DEVELOPING SAFE CULTURE AND BEHAVIOURS IN ITALY

Ferrero Italy launched its “Safety Dialogues” to promote open conversations about safety and improve the safety culture among its employees at all levels.

## Ferrero Foundation

**The Ferrero Foundation was established as a pioneering social initiative in 1983 by Michele Ferrero and became a Foundation in 1991. Under the guiding values of "Work, Create and Donate", it supports employees with 25 years of work experience, named Ferrero Seniors.**



66

**MY AND MY FAMILY'S DETERMINATION HAS PUSHED US TO ESTABLISH A FOUNDATION THAT HONOURS THE CONTRIBUTION OF WORK, THE SPIRIT OF SELF DENIAL, THE SENSE OF RESPONSIBILITY AND THE INVALUABLE LOYALTY OF MANY EMPLOYEES.**

Michele Ferrero  
1983

99

### Promoting active ageing

Research shows that ageing well requires a combination of activities, attitudes, ways of living and relationships. Ferrero Seniors and their spouses benefit from a diverse programme of creative, recreational and social activities, social and healthcare assistance, and a strong social support network.

Specialised medical centres provide healthcare and legal advice along with conferences, exhibitions and seminars. The Foundation also grants national and international study scholarships to the sons and daughters of Ferrero employees and Seniors and supports scientific research and research doctorates.

During the year<sup>1</sup>, the Foundation established a scientific Committee structured around three key areas of interest:

**Health** – led by professor Laura Fratiglioni from the Karolinska Institute of Stockholm.

**Medical** – led by Marcel Rufo, emeritus professor in Psychiatry from Marseille University.

**Social and cultural** – led by Professor Arturo Galansino, director of the Palazzo Strozzi Foundation.

### Social assistance and healthcare

In 2019, healthcare services were provided to 1,107 Ferrero Seniors and their spouses in Alba and the surrounding area including specialist neurological and diabetic services. Nursing support was delivered by seven volunteers and provided a total of 3,592 services for Ferrero Seniors and their spouses.

### Successful Ageing 2019: Body and Mind Connection

The Foundation's bi-annual international study seminar is designed to encourage scientific research into demographic changes and their impact on society to promote a world where seniors are seen as a valuable part of society.

In 2019, the conference was held after a symposium on partnerships between health professionals involved in the care of senior patients. Three intensive days of study and training were organised to discuss ageing from a scientific and social viewpoint, with contributions from international experts and guests. Content was also made available to the public.

### The Ferrero nursery

The Ferrero nursery in Alba has become established as a well-known location serving children and providing a space for meetings, information exchange for parents, educators and care and support workers, and creative activities. The nursery can look after 80 children aged between three months and three years old. Ferrero Seniors act as "grandparents", participating in activities with children and parents and offering their time, experience and affection. The Foundation's medical service also provides advice at the Ferrero nursery.

### The Piera, Pietro and Giovanni Ferrero Foundation Nursery School

September 2018 saw the inauguration of the Piera, Pietro and Giovanni Ferrero Nursery School. The private nursery school welcomed 28 children in the school year 19/20, bringing the total to 56. The Nursery School also offers intergenerational encounters with Ferrero Foundation's Seniors. A Scientific Committee, chaired by professor Marcel Rufo, one of the world's most authoritative specialists in childhood and adolescence, has been established to ensure a high educational standard.

### Ferrero Foundation Conference Series

The Foundation's 2019 Conference Series included renowned guest speakers who discussed diverse topics, including:

- Professor Lorella Carimali – one of the 10 best teachers in Italy and the 50 best teachers in the world led an engaging debate entitled "Mathematics of scratch cards".
- The astronaut Umberto Guidoni commemorated the 50th anniversary of the moon landing with the talk "1969-2019 – Back to the moon".
- Angelo Raffaele Meo gave a presentation on the digital revolution and how it will impact all of our lives.
- Ernesto Ferrero and Marco Malvaldi discussed the lives of Primo Levi, chemist and writer, and the Russian scientist Mendeleev.

<sup>1</sup> Information reported on the Ferrero Foundation covers the calendar year 1 January 2019 to 31 December 2019.

## Michele Ferrero Entrepreneurial Project

**The entrepreneurial and philanthropic spirit that has characterised Ferrero since its founding was the inspiration behind the Ferrero Social Enterprises, established in 2005 in Cameroon, and later in South Africa and India. In 2015, to honour their founder, these were renamed Michele Ferrero Entrepreneurial Project (MFEP).**

### MICHELE FERRERO ENTREPRENEURIAL PROJECT



**F**ully fledged commercial enterprises joining the MFEP share the goal of earning profits in a "social" spirit, by creating job opportunities and carrying out humanitarian initiatives aimed at safeguarding the health, educational and social development of the young, within emerging countries. Such activities are implemented regardless of whether such enterprises succeed in making a profit or not.

### Mission

#### Be a catalyst for local socio-economic development

The MFEP contributes to foster a modern, industrial workplace culture in communities characterised by low employment rates and a high prevalence of so-called "informal economic activities" i.e. activities that are not subject to government regulation or taxation.

Production plants in Cameroon, India and South Africa provide business opportunities for a variety of companies in the area. Locally sourced raw materials are selected when possible, creating additional jobs to support economic development and prosperity within the wider local community.

#### Promote children's health and educational care in the local communities

Each company participating to the Michele Ferrero Entrepreneurial Project commits to make financial allocations to a dedicated Local Social Fund. These funds can be accessed on a three-year basis to support social and humanitarian projects.

Projects benefiting and involving the local communities where the Ferrero plants operate are identified in partnership with the institutional authorities of the host countries and the Ferrero Foundation. To date, they have focused on providing educational and healthcare assistance to children. Activities include: construction of nurseries and primary healthcare facilities; renovation of primary schools; construction of schoolrooms for children of refugee families; construction of rural facilities for mother and child care; a primary healthcare centre; a sports centre for schools within rural areas; funding of seminars to raise awareness on the prevention of infectious diseases among young people.



Further online information on the Michele Ferrero Entrepreneurial Project

## OUR GLOBAL PRESENCE

As of August 2019, businesses participating in the Michele Ferrero Entrepreneurial Project had benefited with 2,566 people, equivalent to around 5.8% of the total Ferrero Group workforce.

There were 202 people working in the production plant in Cameroon, 1,992 in India and 372 in South Africa.



**1,992**

People working in the production plant in India

**202**

People working in the production plant in Cameroon

**372**

People working in the production plant in South Africa

## Kinder Joy of moving

**Kinder Joy of moving is our international social responsibility project which aims to bring the joy of movement into the life of every child by promoting physical activity and an active lifestyle in an easy, engaging and joyful way.**



**N**ow in its 14th year, Kinder® Joy of moving is a Kinder and Ferrero Group project built on the strong belief that a positive attitude towards movement will make today's children better adults tomorrow. Initiatives are inspired by The Joy of moving, an innovative, scientifically recognised educational method. The Joy of moving method aims to get children moving through play, while developing key skills in four major areas: physical fitness, motor coordination, cognitive function and creativity/life skills.

A passion for movement, play and friendship is at the heart of the programme, which is available in 36 countries and regions across the globe. We deliver Kinder Joy of moving with accredited partners and experts including four Olympic committees, 138 sports federations, government institutions, universities and many more.

Activities range from physical education programmes and sports events to student championships and activity camps – each helping to promote a healthier and happier lifestyle through a joyful approach to movement and physical activity.

Kinder Joy of moving also collaborates with athletes and champions to inspire children and supports research projects focused on the benefits of an active lifestyle.

# 4.6m+

Children reached aged 4 to 14, with a total investment of 12.9m in FY 18/19



The expansion and delivery of Kinder Joy of moving around the world is guided by five guidelines for responsibility.

### The five guidelines for responsibility

CLEAR RULES	SOLID PARTNERSHIPS	EDUCATIONAL APPROACH	GLOCAL DEVELOPMENT	MEASURING PERFORMANCE
Kinder Joy of moving follows strict guidelines and procedures that are globally recognised.	Kinder Joy of moving operates in collaboration with expert partners and authoritative ambassadors.	Kinder Joy of moving helps children to absorb and embrace the essential values and ideals of sports and life in general.	Kinder Joy of moving has a standard world format, but single initiatives are tailored to suit local customs.	Kinder Joy of moving adopts a sophisticated global monitoring programme to enable the constant evaluation of its results.



**Helping children to grow into healthy adults through fun, games and social interaction is the ultimate goal of the Kinder Joy of moving programme.**

the Kinder Vision and purpose of bringing joy to children through moving and encouraging their natural inclination to be active, move and play.

In Russia, a project was launched with Starkids through a special event for kids from Ironstar, one of the most popular organisations for cyclic sports. Its aim is to promote a healthy and active lifestyle for adults and kids. STARKIDS created the race for the youngest athletes.

In Italy, The Joy of moving method has become a programme officially promoted by the Italian Ministry of Education, University and Research. With about 11,000 classes all over Italy, a total of 269,250 children were involved during the 18/19 school year as well as 540,000 family members.

# KEY DATA

## Plant locations and biodiversity

We map our plants according to the WDPA – the World Database on Protected Areas.

None of our plants are located in protected or highly biodiverse areas. In some cases, there are protected areas near our factories (less than two kilometres away). Please find the list below:

Plant name	Protected area	Type of area	Type	Distance	Locn cat.	Area (square km)
Belsk	Dolina Rzeki Jeziorki	Protected Landscape Area	National	<1km	Not Ass.	153.794095
S.Angelo dei Lombardi	Querceta dell'Incoronata (Nusco)	Site of Community Importance (Habitats Directive)	Regional	<1km	Not Rep.	13.62
Alfreton	Oakerthorpe	Local Nature Reserve	National	<2km	IV	0.0266097
Alfreton	Penny Town Ponds	Local Nature Reserve	National	<2km	IV	0.0545065
Belsk	Modrzewina	Nature Reserve	National	<2km	IV	3.3219
S.Angelo dei Lombardi	Alta Valle del Fiume Ofanto	Site of Community Importance (Habitats Directive)	Regional	<2km	Not Rep.	5.9
Stadtallendorf	Brückerwald und Hußgeweid	Site of Community Importance (Habitats Directive)	Regional	<2km	Not Rep.	4.1075
Stadtallendorf	Herrenwald östlich Stadtallendorf	Site of Community Importance (Habitats Directive)	Regional	<2km	Not Rep.	28.5208
Villers-Ecalles	Boucles de la Seine normande	Regional Nature Park	National	<2km	V	896.138423

Category Ia: Strict Nature Reserve

Category Ib: Wilderness Area

Category II: National Park

Category III: Natural Monument or Feature

Category IV: Habitat/Species Management Area

Category V: Protected Landscape/Seascape

Category VI: Protected Area With Sustainable Use Of Natural Resources

## Environment

### Energy

	Unit	FY17/18	FY18/19
Green energy consumption	%	13.7%	19.0%
Purchased electric energy certified renewable	%	41%	64%
Energy intensity ratio	GJ/t	8.4	8.4
Total energy consumption	TJ	10,035.2	10,222.0
Total fuel consumption	TJ	9,263.4	9,434.5
– Total fuel consumption from non-renewables	TJ	8,423.5	8,446.3
– Total fuel consumption from renewables	TJ	839.9	988.1
Total electricity consumption (electricity sold excluded)	TJ	1,002.6	997.0
– Total electricity consumption (electricity sold excluded) from non-renewables	TJ	467.0	42.6
– Total electricity consumption (electricity sold excluded) from renewables	TJ	535.6	954.5
Steam or hot water consumption (sold streams excluded)	TJ	(230.8)	(209.5)

### Emissions

	Unit	FY17/18	FY18/19
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	tCO <sub>2</sub> eq.	6,440,127.59	6,500,552.01
GWP Sc.1 Emissions – Total emissions	tCO <sub>2</sub> eq.	466,433.22	469,556.27
GWP Sc.1 Emissions – (Of which) for Energy streams sold externally	tCO <sub>2</sub> eq.	80,511.59	80,445.26
GWP Sc.1 Emissions – Net total emissions	tCO <sub>2</sub> eq.	385,921.64	389,111.02
GWP Sc.2 Emissions – Market based	tCO <sub>2</sub> eq.	141,446.80	116,838.45
GWP Sc.2 Emissions – Location based	tCO <sub>2</sub> eq.	276,455.92	264,863.40
GWP Sc.3 Emissions – Cat 1.Purchased goods and services	tCO <sub>2</sub> eq.	4,650,457.03	4,767,559.46
GWP Sc.3 Emissions – Cat 2.Capital goods	tCO <sub>2</sub> eq.	173,035.64	171,483.34
GWP Sc.3 Emissions – Cat 3.Fuel and energy-related activities	tCO <sub>2</sub> eq.	110,456.56	92,116.38
GWP Sc.3 Emissions – Cat 4.Upstream transportation and distribution	tCO <sub>2</sub> eq.	624,328.11	610,173.59
GWP Sc.3 Emissions – Cat 5.Waste generated in operations	tCO <sub>2</sub> eq.	5,236.07	4,790.87

## Environment continued

### Emissions continued

	Unit	FY17/18	FY18/19
GWP Sc.3 Emissions – Cat 6.Business travel	tCO <sub>2</sub> eq.	22,872.61	19,887.51
GWP Sc.3 Emissions – Cat 7.Employee commuting	tCO <sub>2</sub> eq.	49,149.58	48,791.81
GWP Sc.3 Emissions – Cat 8.Upstream leased assets	tCO <sub>2</sub> eq.	104,603.18	105,980.92
GWP Sc.3 Emissions – Cat 9.Downstream transportation and distribution	tCO <sub>2</sub> eq.	10,144.86	10,312.94
GWP Sc.3 Emissions – Cat 10.Processing of sold products	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 11.Use of sold products	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 12.End of life treatment of sold products	tCO <sub>2</sub> eq.	81,963.93	83,060.48
GWP Sc.3 Emissions – Cat 13.Downstream leased assets	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 14.Franchises	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 15.Investments	tCO <sub>2</sub> eq.	–	–

### Water

	Unit	FY17/18	FY18/19
Water consumption	m <sup>3</sup>	5,141,108.21	5,330,058.80
Water consumption from water main	%	65.7%	63.3%
Water consumption from well	%	21.8%	22.5%
Water consumption from river	%	12.5%	14.1%
Water consumption from other sources	%	0.1%	0.7%
Water consumption ratio	m <sup>3</sup> /t	4.33	4.38
Wastewater	m <sup>3</sup>	3,282,469.32	3,367,387.23
Wastewater sewage	%	94.9%	94.7%
Wastewater surface water	%	3.1%	3.4%
Wastewater ground and underground	%	2.0%	1.9%

**Environment** continued**Waste**

	Unit	FY17/18	FY18/19
Waste production ratio	kg/t	90.41	82.21
Total waste	t	107,456.96	99,987.90
Percentage of recovered waste	%	94.6%	96.8%
Non-hazardous waste recycled	t	101,147.88	96,095.67
Non-hazardous waste disposed	t	4,988.95	2,431.44
Hazardous waste recycled	t	556.51	665.85
Hazardous waste disposed	t	763.62	794.94

**Other figures**

	Unit	FY17/18	FY18/19
Recycled materials in packaging	%	33.9%	34.2%
Renewable materials in packaging	%	36.9%	36.9%
Reusable, compostable or recyclable packaging	%	81.7%*	81.7%
Total raw materials used	t	1,917,057	1,971,811
Refrigerant gases: ozone depleting potential	kgR11eq.	16	10
Refrigerant gases: GWP contribution	tCO <sub>2</sub> eq.	7,971	10,943

\* Not subject of the third-party external assurance of this report.

## Added Value

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

The "Net Added Value" in particular represents the economic value generated during the reporting period, net of depreciation and operating costs, which includes payments to suppliers (mainly for raw materials and services). As illustrated in the chart below, our Net Added Value for the period considered in this Sustainability Report is distributed in different ways to various internal and external stakeholders.

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

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

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

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

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

### Added Value generated in FY 18/19

Depreciation	3.8%
Operating costs reclassified	69.6%
Net Added Value	26.6%

### Added Value distributed in FY 18/19

Value distributed	
Human resources	64.3%
Capital remuneration	23.7%
Public sector	9.0%
Community	1.1%

Value retained	
Enterprise system	2.0%

## Health and safety

### Ferrero Group (industrial and supply) safety performance

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Accident Frequency Rate (1.000.000 hrs)*	21.45	15.45	13.05	9.92	10.15	7.77	7.66
Accident Severity Rate (1.000 hrs)	0.276	0.202	0.238	0.174	0.186	0.151	0.137

### Ferrero Group (industrial and supply) safety performance by geographic area

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>Accident Frequency Rate*</b>					
Europe	14.57	14.59	13.51	11.35	11.00
Outside Europe**	5.91	5.05	6.09	3.54	3.67
<b>Accident Severity Rate</b>					
Europe	0.27	0.25	0.27	0.23	0.21
Outside Europe	0.13	0.09	0.09	0.05	0.05

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>Accident Frequency Rate*</b>					
Europe	14.57	14.59	13.51	11.35	11.00
Area International	6.84	7.74	9.04	4.74	4.44
APAC MEA	22.58	2.74	3.05	2.06	2.59
<b>Accident Severity Rate</b>					
Europe	0.27	0.25	0.27	0.23	0.21
Area International	0.13	0.15	0.14	0.09	0.07
APAC MEA	0.19	0.05	0.03	0.01	0.03

\* Excluding commuting accidents, including temporary workers.

\*\* Data restated for FY 2016/2017 and 2017/2018, due to worked hours realignment.

## Training

Overall training hours	
2017/2018	2018/2019
730,622	818,938

Training participations	
2017/2018	2018/2019
66,251	87,759

Training participants	
2017/2018	2018/2019
22,557	24,517

Training hours per capita	
2017/2018	2018/2019
23*	25**

\* Total training hours/average number of FTE for FY 17/18.

\*\* FTE effective average: 32590.77

Countries with the highest number of training hours delivered are:	No. of hours
Germany	190,129
Italy	169,814
Poland	54,666
United Kingdom	51,301
China	43,349

Hours of training by category	No. of hours	% of total training hours delivered to blue collars
Group level	Delivered hours	Per capita
Blue collar	386,417.74	20
Employee	304,618.30	31
Middle manager	89,696.17	36
SM and above	38,205.92	38
<b>TOTAL</b>	<b>818,938</b>	<b>25</b>

Course with highest number of hours	No. of hours
People centricity for line manager (2 days)	28,808

Training pillars	No. of hours
Ferrero Know-How	358,639
Ferrero Leaders	113,949
Foreign Languages	81,421
Development	179,073
Welcome To Ferrero	70,959
Online library	14,897
<b>Grand total</b>	<b>818,938</b>

GENDER	No. of hours	% of training hours followed, by gender	Training hours per capita, by gender
Female	327,245	40%	23
Male	491,693	60%	27
<b>Grand total</b>	<b>818,938</b>	<b>100%</b>	<b>25</b>

## HR workforce

### Internal and external workforce as of 31 August

	No. employees as of 31/08/2018	No. employees as of 31/08/2019
Group	35,146	36,372
Ferrero Foundation	11	11
External workforce	6,168	7,942
<b>Total</b>	<b>41,325</b>	<b>44,325</b>

### Exact workforce of the Group as of 31 August

	No. employees as of 31/08/2018*	No. employees as of 31/08/2019**
<b>Total</b>	<b>34,145</b>	<b>35,963</b>
Of which women	45.20%	45.90%

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

\*\* Exact workforce figures include employees who are employed directly by Ferrero as of 31 August, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation but excluding those of ICFC.

### Group workforce by type of contract

Type of work contract	No. employees as of 31/08/2018	% as of 31/08/2018	No. employees as of 31/08/2019	% as of 31/08/2019
Fixed term	7,741	22.70%	8,070	22.40%
Permanent contract	26,404	77.30%	27,893	77.60%
<b>Total</b>	<b>34,145</b>	<b>100%</b>	<b>35,963</b>	<b>100%</b>

Type of work contract	Europe* as of 31/08/2019	% as of 31/08/2019	Extra-Europe as of 31/08/2019	% as of 31/08/2019
Fixed term	5,209	14.50%	2,861	8.00%
Permanent contract	17,812	49.50%	10,081	28.00%
<b>Total</b>	<b>23,021</b>	<b>64%</b>	<b>12,942</b>	<b>36%</b>

\* Europe is intended as the 28 EU Member States.

Part-time / Full-time	% as of 31/08/2018	% as of 31/08/2019
Part-time	7.10%	6.80%
Full-time	92.90%	93.20%

## HR workforce continued

### Group workforce by category

Employee category	No. employees as of 31/08/2018	% as of 31/08/2018	No. employees as of 31/08/2019	% as of 31/08/2019
Blue collar	21,015	61.5	22,308	62.0%
Employees	9,693	28.4	10,068	28.0%
Middle manager	2,457	7.2	2,549	7.1%
Senior manager	980	2.9	1,038	2.9%
<b>TOTAL</b>	<b>34,145</b>	<b>100%</b>	<b>35,963</b>	<b>100.0%</b>

The senior managers' role in the Company is characterised by an elevated degree of competence, autonomy and decisional power and contribution to the orientation and development of the corporate strategy.

### Group workforce by age and gender

Age group	% Women as of 31/08/2018	% Men as of 31/08/2018	% Women as of 31/08/2019	% Men as of 31/08/2019
<30	47.70%	52.30%	48.51%	51.49%
30 – 50	45.00%	55.00%	45.45%	54.55%
>50	43.30%	56.70%	44.92%	55.08%

### Group workforce by age and category

Employee category	<30 as of 31/08/2018	30 – 50 as of 31/08/2018	>50 as of 31/08/2018	<30 as of 31/08/2019	30 – 50 as of 31/08/2019	>50 as of 31/08/2019
Blue collar	5,246	10,549	5,220	5,502	11,037	5,769
Employees	1,910	6,525	1,258	1,839	6,840	1,389
Middle manager	110	1,796	551	91	1,877	581
Senior manager	0	564	416	0	598	440
<b>TOTAL</b>	<b>7,266</b>	<b>19,434</b>	<b>7,445</b>	<b>7,432</b>	<b>20,352</b>	<b>8,179</b>

The committees mentioned in the paragraph "Corporate Governance" are composed of 21 members, who belong to the following age groups: 38% in the "over 60 group" and 62% in the "51 to 60" group. In these committees, the female presence corresponds to the Chairman of the Board of Directors.

**HR workforce** continued**Group workforce by age and category** continued

<b>Group workforce at 31 August</b>	<b>Total no. employees as of 31/08/2018</b>	<b>% Women as of 31/08/2018</b>	<b>% Men as of 31/08/2018</b>	<b>Total no. employees as of 31/08/2019</b>	<b>% Women as of 31/08/2019</b>	<b>% Men as of 31/08/2019</b>
<b>Geographical area</b>						
Europe	22,312	44.70%	55.30%	23,021	44.98%	55.02%
Extra-Europe	11,833	46.10%	53.90%	12,942	47.72%	52.28%
<b>Employee category</b>						
Blue collar	21,015	48.40%	51.60%	22,308	49.00%	51.00%
Employees	9,693	44.10%	55.90%	10,068	44.84%	55.16%
Middle manager	2,457	34.40%	65.60%	2,549	35.66%	64.34%
Senior manager	980	16.00%	84.00%	1,038	16.96%	83.04%
<b>Type of contract</b>						
Permanent	26,404	42.50%	57.50%	27,893	42.89%	57.11%
Fixed term	7,741	54.30%	45.70%	8,070	56.60%	43.40%
<b>Part-Time/Full-Time</b>						
Part-Time	2,428	79.30%	20.70%	2,428	79.20%	20.80%
Full-Time	31,717	42.60%	57.40%	33,535	43.56%	56.44%
<b>TOTAL</b>	<b>34,145</b>	<b>45.20%</b>	<b>54.80%</b>	<b>35,963</b>	<b>45.96%</b>	<b>54.04%</b>

**Average length of service by area**

<b>Employee category</b>	<b>Europe as of 31/08/2019</b>	<b>Extra-Europe as of 31/08/2019</b>
Blue collar	10 years, 0 months	4 years, 4 months
Employees	11 years, 10 months	4 years, 6 months
Middle manager	14 years, 0 months	7 years, 0 months
Senior manager	18 years, 1 month	11 years, 8 months
<b>TOTAL</b>	<b>11 years, 1 month</b>	<b>4 years, 7 months</b>

## HR workforce continued

### Personnel turnover\*

During the Fiscal Year 2018/2019, the Ferrero Group hired 2,376 new employees, of which 993 are women and 1,383 are men.

\* Thorntons' retail workforce is excluded from the calculation of the turnover.

### Europe

	Outgoing						Incoming					
	Women		Men		Total		Women		Men		Total	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
<30	67	89	64	105	131	194	217	179	306	229	523	408
30–50	186	147	199	183	385	330	228	178	309	241	537	419
>50	102	154	218	234	320	388	26	19	49	27	75	46
<b>Total</b>	<b>355</b>	<b>390</b>	<b>481</b>	<b>522</b>	<b>836</b>	<b>912</b>	<b>471</b>	<b>376</b>	<b>664</b>	<b>497</b>	<b>1,135</b>	<b>873</b>
<b>%</b>	<b>4.30%</b>	<b>3.91%</b>	<b>4.30%</b>	<b>4.23%</b>	<b>4.30%</b>	<b>4.09%</b>	<b>5.70%</b>	<b>3.77%</b>	<b>5.94%</b>	<b>4.03%</b>	<b>5.84%</b>	<b>3.91%</b>

### Extra-Europe

	Outgoing						Incoming					
	Women		Men		Total		Women		Men		Total	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
<30	228	253	245	236	473	489	326	274	372	304	698	578
30–50	407	411	566	631	973	1,042	351	327	555	559	906	886
>50	32	70	51	101	83	171	14	16	21	23	35	39
<b>Total</b>	<b>667</b>	<b>734</b>	<b>862</b>	<b>968</b>	<b>1,529</b>	<b>1,702</b>	<b>691</b>	<b>617</b>	<b>948</b>	<b>886</b>	<b>1,639</b>	<b>1,503</b>
<b>%</b>	<b>12.50%</b>	<b>13.46%</b>	<b>14.26%</b>	<b>15.18%</b>	<b>13.43%</b>	<b>14.38%</b>	<b>12.94%</b>	<b>11.31%</b>	<b>15.68%</b>	<b>13.89%</b>	<b>14.40%</b>	<b>12.70%</b>

## HR workforce continued

### Personnel turnover continued

#### Group

	Outgoing						Incoming					
	Women		Men		Total		Women		Men		Total	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
<30	295	342	309	341	604	683	543	453	678	533	1,221	986
30 – 50	593	558	765	814	1,358	1,372	579	505	864	800	1,443	1,305
>50	134	224	269	335	403	559	40	35	70	50	110	85
<b>Total</b>	<b>1,022</b>	<b>1,124</b>	<b>1,343</b>	<b>1,490</b>	<b>2,365</b>	<b>2,614</b>	<b>1,162</b>	<b>993</b>	<b>1,612</b>	<b>1,383</b>	<b>2,774</b>	<b>2,376</b>
<b>%</b>	<b>7.52%</b>	<b>7.28%</b>	<b>7.79%</b>	<b>7.96%</b>	<b>7.67%</b>	<b>7.66%</b>	<b>8.54%</b>	<b>6.43%</b>	<b>9.36%</b>	<b>7.39%</b>	<b>9.00%</b>	<b>6.96%</b>

### Absenteeism rate in our manufacturing plants

Our employees' absenteeism rate is calculated by counting the hours of absence due to illness and injury based on the total hours worked in the period under observation.

Blue collar absenteeism	FY 17/18	FY 18/19	Blue collar absenteeism	FY 17/18	FY 18/19
Alba (IT)	4.30%	<b>4.48%</b>	Manisa (TR)	2.87%	<b>2.78%</b>
Alfreton (UK)	7.01%	<b>6.91%</b>	Pocos De Caldas (BR)	2.90%	<b>3.74%</b>
Arlon (BE)	6.01%	<b>6.97%</b>	Pozzuolo Martesana (IT)	5.17%	<b>5.16%</b>
Balvano (IT)	5.08%	<b>4.07%</b>	Quito (EC)	2.62%	<b>2.00%</b>
Baramati (IN)	2.19%	<b>2.03%</b>	San Josè Iturbide (MX)	0.71%	<b>0.26%</b>
Belsk (PL)	7.16%	<b>7.29%</b>	Sant' Angelo dei Lombardi (IT)	4.35%	<b>5.23%</b>
Brantford (CA)	5.39%	<b>3.15%</b>	Stadtallendorf (DE)	7.84%	<b>7.59%</b>
Cork (IE)	5.72%	<b>5.26%</b>	Villers-Ecalles (FR)	4.94%	<b>6.23%</b>
Hangzhou (CN)	1.21%	<b>1.05%</b>	Vladimir (RU)	3.08%	<b>5.10%</b>
La Pastora (AR)	5.97%	<b>3.02%</b>	Walkerville (ZA)	1.61%	<b>0.77%</b>
Lithgow (AU)	4.71%	<b>5.30%</b>	Yaounde (CM)	3.10%	<b>7.96%</b>

## HR workforce continued

### Percentage of locally hired senior managers as of 31 August 2019

Local senior manager	%
Hong Kong, Netherlands, Puerto Rico, Italy, Germany, Russia, France	80-100%
Poland, Turkey, Austria	60-79%
United Kingdom, India, Brazil, Czech Republic, Hungary, Israel, Romania, Sweden, Ukraine, USA	40-59%
Argentina, Mexico, China	20-39%
Canada, Belgium, Australia, Spain, Singapore, Chile, Colombia, Ecuador, Greece, Ireland, Kazakhstan, Kuwait, Luxembourg, Monaco, Portugal, South Africa, South Korea, Switzerland, United Arab Emirates	0-19%

### Ratio between base salary of newly hired workers and the legal minimum wage\*

Country	FY 17/18	FY 18/19
Argentina	3.32	<b>3.31</b>
Australia	1.00	<b>1.00</b>
Belgium	1.01	<b>1.01</b>
Brazil	1.28	<b>1.28</b>
Cameroon	1.12	<b>1.40</b>
Canada	1.27	<b>1.36</b>
China	1.35	<b>1.40</b>
Ecuador	1.00	<b>1.00</b>
France	1.10	<b>1.01</b>

Country	FY 17/18	FY 18/19
Germany	1.00	<b>1.00</b>
India	1.57	<b>1.52</b>
Ireland	1.20	<b>1.20</b>
Italy	1.00	<b>1.00</b>
Mexico	2.15	<b>1.95</b>
Poland	1.07	<b>1.11</b>
Russia	1.56	<b>1.61</b>
South Africa	1.51	<b>1.67</b>
Turkey	1.25	<b>1.33</b>

\* The basic salary is the minimum gross annual salary of newly recruited staff working along our production lines. The figure does not take into account extraordinary forms of remuneration, production awards or individual awards. In the event the relationship is equal to 1: there is an exact correspondence between the legal minimum wage and the lowest salary.

\*\* Alfreton plant (United Kingdom) not included in the list.

## HR workforce continued

### Parental leave

The following data on returning to work after a period of parental leave relates to a sample of six countries: Brazil, France, Germany, Italy, Luxembourg and Spain.

#### Brazil

	Men FY 17/18	Women FY 17/18	Total FY 17/18	Men FY 18/19	Women FY 18/19	Total FY 18/19
Return to work rate	N/A	80.0%	80.0%	N/A	87.0%	87.0%
Retention rate after parental leave	N/A	60.0%	60.0%	N/A	83.3%	83.3%

**Return to work:** In FY 2018/2019, 26 employees took parental leave. 23 employees were due to return to work at the end of their parental leave: among these, 20 employees actually returned to work within FY 2018/2019, while 3 employees left the Group after parental leave.

**Retention after parental leave:** In FY 2017/2018, 24 employees took parental leave. Of these 24 employees, as of 31 August, 2019, 20 employees were still part of the workforce and 4 employees have left the Group.

#### France

	Men FY 17/18	Women FY 17/18	Total FY 17/18	Men FY 18/19	Women FY 18/19	Total FY 18/19
Return to work rate	N/A	100.0%	100.0%	N/A	88.2%	88.2%
Retention rate after parental leave	N/A	92.0%	92.0%	N/A	80.8%	80.8%

**Return to work:** In FY 2018/2019, 31 employees took parental leave. 17 employees were due to return to work at the end of their parental leave: among these, 15 employees actually returned to work within FY 2018/2019, while 2 employees left the Group after parental leave.

**Retention after parental leave:** In FY 2017/2018, 29 employees took parental leave. Of these 29 employees, as of 31 August, 2019, 21 employees were still part of the workforce, 3 employees were still on parental leave and 5 employees have left the Group.

#### Italy

	Men FY 17/18	Women FY 17/18	Total FY 17/18	Men FY 18/19	Women FY 18/19	Total FY 18/19
Return to work rate	100.0%	100.0%	100.0%	100.0%	75.0%	77.8%
Retention rate after parental leave	N/A	92.0%	92.0%	50.0%	93.2%	91.3%

**Return to work:** In FY 2018/2019, 49 employees took parental leave. 9 employees were due to return to work at the end of their parental leave: among these, 7 employees actually returned to work within FY 2018/2019, while 2 employees left the Group after parental leave.

**Retention after parental leave:** In FY 2017/2018, 49 employees took parental leave. Of these 49 employees, as of 31 August, 2019, 42 employees were still part of the workforce, 3 employees were still on parental leave and 4 employees have left the Group.

## HR workforce continued

### Germany

	Men FY 17/18	Women FY 17/18	Total FY 17/18	Men FY 18/19	Women FY 18/19	Total FY 18/19
Return to work rate	N/A	67.0%	67.0%	N/A	N/A	N/A
Retention rate after parental leave	100.0%	74.0%	75.0%	N/A	68.8%	68.8%

**Return to work:** In FY 2018/2019, 36 employees took parental leave. All of them were still on parental leave as of 31 August 2019.

**Retention after parental leave:** In FY 2017/2018, 38 employees took parental leave. Of these 38 employees, as of 31 August, 2019, 11 employees were still part of the workforce, 22 employees were still on parental leave and 5 employees have left the Group.

### Luxembourg

	Men FY 17/18	Women FY 17/18	Total FY 17/18	Men FY 18/19	Women FY 18/19	Total FY 18/19
Return to work rate	100.0%	85.0%	86.0%	85.7%	60.0%	64.3%
Retention rate after parental leave	N/A	85.0%	85.0%	66.7%	88.2%	85.0%

**Return to work:** In FY 2018/2019, 44 employees took parental leave. 42 employees were due to return to work at the end of their parental leave: among these, 27 employees actually returned to work within FY 2018/2019, while 15 employees left the Group after parental leave.

**Retention after parental leave:** In FY 2017/2018, 20 employees took parental leave. Of these 20 employees, as of 31 August, 2019, 17 employees were still part of the workforce and 3 employees have left the Group.

### Spain

	Men FY 17/18	Women FY 17/18	Total FY 17/18	Men FY 18/19	Women FY 18/19	Total FY 18/19
Return to work rate	N/A	100.0%	100.0%	100.0%	100.0%	100.0%
Retention rate after parental leave	N/A	100.0%	100.0%	N/A	100.0%	100.0%

**Return to work:** In FY 2018/2019, 3 employees took parental leave: 2 have returned to work at the end of their parental leave and 1 employee was still on parental leave.

**Retention after parental leave:** In FY 2017/2018, 2 employees took parental leave. All of them were still part of the workforce as of 31 August, 2019.

# ABOUT THIS REPORT

About this report	94
Topic Boundaries	95
About our environmental data	96
Assurance statement	97

## About this report

This Report explains the Ferrero Group's sustainability strategy and our global activities during Fiscal Year (FY) 2018/2019 (from 1 September 2018 to 31 August 2019). Along with the objectives set out in previous reports, the issues in this 11<sup>th</sup> edition have been selected via a materiality process, based on their level of importance to our Group, with constant input from key stakeholders.

Previous reports are available online at: [www.ferrerosustainability.com](http://www.ferrerosustainability.com)

This report has been prepared in accordance with the GRI Standards: Core option; the GRI Content Index is available in the section "Sustainability Reports" of our website: [www.ferrerosustainability.com](http://www.ferrerosustainability.com)

The following points of reference were also taken into consideration:

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

It was drafted by the CSR & Sustainability Office ([email: csr@ferrero.com](mailto:csr@ferrero.com)).

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

During the reporting period, the Ferrero Group and its related companies acquired the cookie, fruit and fruit-flavoured snack, ice cream cone and pie crust businesses from Kellogg Company. The Ferrero Group also acquired a majority stake in Ice Cream Factory Comaker (ICFC).

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

- the companies belonging to Stelliferi & Itavex Srl, which process and sell toasted hazelnuts at different stages of processing (except where specified);
- the companies belonging to Fannie May Confections Brands, Inc. (except where specified), Nestlé's U.S. confectionery business (except where specified), Kellogg Company's cookie, fruit snack, ice cream cone and pie crust businesses (except where specified) and Ice Cream Factory Comaker (except where specified).

The Piera, Pietro and Giovanni Ferrero Foundation (hereinafter "Ferrero Foundation") is included.

A specific methodological note regarding our environmental data is included in the [Key Data section](#) of this report.

This report was the subject of a limited assurance engagement by PwC.

Restatements of previously published figures that have been provided for comparison are clearly indicated as such.

The Sustainability Report is also accessible online at [www.ferrerosustainability.com](http://www.ferrerosustainability.com), where our previous ten reports (previously named "CSR Reports") are also available. The previous edition (10th Ferrero Group CSR Report) was published in October 2019.

We will continue to publish reports on an annual basis.

### A NOTE ABOUT DISRUPTION\*

As we prepare our "For the Better" sustainability report, COVID-19 continues to present new and unforeseen challenges in every aspect of our lives. For Ferrero, many of our goals are set as 100% achievements. This comes from our real and honest intention to implement credible and sustainable practices across our supply chain and within the spheres of our control and ability to influence.

Whenever we report that we have achieved or aim to achieve 100% sustainable supply of a raw material, such as we have for palm oil since 2015, our commitment is to always maintain minimum operational levels above 95%, considering that farmers can face many types of issues and supply chain disruptions can affect the supply of our own plants.

Where we encounter situations that temporarily disrupt our sourcing volumes, and hence drop our achievements below 100%, our commitment is to quickly understand and mitigate the conditions that affect us and our suppliers – all the way to our farmers – so that we can return to the desired 100% achievement as quickly as possible. We will report in more detail on the impacts of the global pandemic and the actions we have taken in response in our FY 19/20 report.

\* Not subject of the third-party external assurance of this report.

## Topic Boundaries

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

<b>Topic</b>	<b>Where the impact occurs</b>	<b>Type of involvement</b>
Climate Change and air quality	Production plants, Warehouses, Employee travels, Suppliers	Generated by the Group and directly linked through the Group's business relationships
Products and Ingredients Safety & Quality	Production plants, Suppliers, Distributors and Retailers, Consumers, Consumer associations and NGOs, Government and regulators	Generated and contributed by the Group
Sustainable Packaging	Production Plants, Warehouses, Consumers, Suppliers	Generated and contributed by the Group
Responsible Supply Chain	Ferrero Group, Suppliers	Contributed by the Group and directly linked through the Group's business relationships
Business ethics	Ferrero Group, Suppliers, Distributors and Retailers, Farmers	Contributed by the Group and directly linked through the Group's business relationships
Human Rights	Ferrero Group, Suppliers, Farmers, NGOs	Generated and contributed by the Group and directly linked through the Group's business relationships
Natural Capital Preservation and Biodiversity	Production plants, Warehouses, Consumers, Suppliers, Farmers	Generated by the Group and directly linked through the Group's business relationships
Nutrition, Responsible Consumption and Marketing	Ferrero Group, Consumers, Consumer associations and NGOs, Institutions, Government and regulators	Generated and contributed by the Group
Diversity & Inclusion	Ferrero Group	Generated by the Group

## About our environmental data

### Data collection

We manage the collection and analysis of plants' data through an internal platform called SuRe (Sustainability Reporting). This tool allows better management, flow optimisation and data transfer.

Moreover, this year we have developed with Exentriq a new dedicated platform to aggregate, validate and manage all Group environmental data, using innovative technologies and allowing more complex analyses.

### Standards and methodologies

Our carbon footprint is fully compliant with the Corporate Accounting and Reporting Standard – GHG Protocol – developed by the World Resources Institute (WRI) with the World Business Council for Sustainable Development (WBCSD), today used globally as the main internationally recognised measurement tool and carbon reporting standard.

The environmental impact assessment is carried out following the ISO 14040 and ISO 14044 LCA standards, including the relevant Principles and Reference Framework, Requirements and Guidelines.

### Calculation details

The percentage of recycled materials in packaging represents an estimate on the quantity of recycled content, as per our total packaging materials.

For paper and cardboard, the data is based on a calculation based on the composition of the materials purchased. For rPET and rPP, the data is the exact calculation of the recycled material purchased in the reference year of this report. For glass and aluminium the data comes from the suppliers' surveys and takes into account the different plants the materials were sourced from, and is therefore linked to the efficiency of collection and recycling of the countries in which the packaging suppliers are located and operate.

The CO<sub>2</sub>eq emission coefficients used for the assessment of Location-based and Market-based emission factors come from the Ecoinvent 3.4 database, except for the 2019 Location-based data (Ecoinvent 3.6). For Scope 3 GHG calculations, the sources are mainly commercial databases (i.e. Ecoinvent 3.1, International Energy Agency) as well as some specific datasets developed internally.

The emission factors related to the conversion of energy from fuels come from Ecoinvent 3.4 database datasets and EPA Centre for Corporate Climate Leadership – GHG Emissions Factors Hub (March 2018). Products made in-house from renewable sources and the electricity supply from a marketplace certified by renewable sources do not contribute to greenhouse gas emissions, which follows best-practice examples stated in GHG protocol.

Emissions from cooling gases have been calculated using the IPCC Fifth Assessment Report, 2014 (AR5) emission factors, 100-year horizon.

The emissions resulting from leased cars were calculated based on data collected internally from all 30 countries in which we have leased cars. Data was collected in May 2018; values have been calculated for the whole Fiscal Year.

The emissions resulting from capital goods are based on estimations.

### Data perimeter

The data is related to 20 production plants (excluding Cameroon, South Africa and HCo manufacturing plants) and to 13 warehouses directly managed by Ferrero except where clearly indicated.

### GHG emissions updated baseline

We developed our GHG emissions reduction targets by 2030 considering a FY 2017/2018 baseline that includes also recently acquired companies and other significant contributions which are not part of the disclosure of this report.

Climate change targets	Base year data [FY 17/18]	Most recent year data [FY 18/19]	Delta
Scope 1&2* (Abs.)	724,697 [tCO <sub>2</sub> e]	703,212 [tCO <sub>2</sub> e]	-3.0%
Scope 1,2&3** (Int.)	4.6 [tCO <sub>2</sub> e/t prod.]	4.6 [tCO <sub>2</sub> e/t prod.]	-1.1%

\* Market based Scope 2.

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

Note: this data is not subject of the third-party external assurance.

## Assurance letter statement



### Independent Limited Assurance Report on the disclosures in the Sustainability Report

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

We have performed a limited assurance engagement to report on the disclosures in the Sustainability Report of Ferrero International S.A. (hereinafter "the Company"), for the period from 1 September 2018 to 31 August 2019.

#### Understanding the reporting and measurement methodologies

The Sustainability Report needs to be read and understood together with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-Criteria"), which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

#### Board of Directors' responsibilities for the Sustainability Report

The Board of Directors of the Company is responsible for the preparation and presentation of the Sustainability Report in accordance with the GRI-Criteria.

This responsibility of the Company's Board of Directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the Board of Directors is responsible for such internal controls as they have considered necessary to enable the preparation of a Sustainability Report that is free from material misstatement whether due to fraud or error.

#### Our Independence and Quality Control

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

Our firm applies International Standard on Quality Control 1 (ISQC1) as adopted for Luxembourg by the CSSF and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a limited assurance conclusion on the disclosures in the Sustainability Report based on the assurance engagement we have performed.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) and as adopted for Luxembourg by the Institut des Réviseurs d'Entreprises. This standard requires that we plan and perform the assurance engagement to obtain a limited assurance that the disclosures in the Company's Sustainability Report for the period from 1 September 2018 to 31 August 2019 has been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

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

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg

T: +352 4948481, F: +352 4948482900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518

#### Work done

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

Within the scope of our limited assurance engagement, we performed, amongst others, the following procedures:

- Obtained an understanding of the structure of the sustainability organization, including governance and of the stakeholder engagement;
- Performed analysis of how the processes underlying the generation, collection and management of information disclosed in the Sustainability Report operate;
- Performed inquiries with the management of the Company regarding the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
- Identified the likely risks of material misstatement of the Sustainability Report under consideration of the GRI-Criteria;
- Analysed the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the GRI-Criteria;
- Analysis of relevant underlying supporting information supporting the key disclosures in the Sustainability Report;
- Compared the selected financial data and disclosures in Sustainability Report with corresponding data in the consolidated financial statements and in the group management report for year ending 31 August 2019;
- Evaluated the presentation of the disclosures in the Sustainability Report regarding sustainability performance;
- Obtained representations from management and the Company's Sustainability responsible officer confirming compliance with the GRI-Criteria and completeness and accuracy of the information presented.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Company's Sustainability Report for the period from 1 September 2018 to 31 August 2019 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

PricewaterhouseCoopers, Société coopérative  
Represented by

-  
Mervyn R. Martins

Luxembourg, 12 October 2020

Mervyn R. Martins  
Partner

**FERRERO**

[www.ferrerosustainability.com](http://www.ferrerosustainability.com)