

**SHARING VALUES  
TO CREATE VALUE**



**Corporate Social Responsibility  
REPORT 2016**

**FERRERO**



# **SHARING VALUES TO CREATE VALUE**

**Corporate Social Responsibility**  
**R E P O R T 2 0 1 6**

**FERRERO**





# ABOUT THIS REPORT

**T**he aim of this report is to illustrate the Ferrero Group's corporate responsibility strategy and its global activities during Fiscal Year (FY) 2015/2016 (from September 1<sup>st</sup>, 2015 to August 31<sup>st</sup>, 2016). Along with the objectives set in previous reports, the issues in this eighth edition have been selected via an internal materiality process based on their level of importance to the Ferrero Group and with the constant input of key stakeholders.

Previous reports focus on the Ferrero products and other countries in which the Group operates, as well as the Group's presence at Expo Milan 2015, are available online at [www.ferreroCSR.com](http://www.ferreroCSR.com).

This report was drafted by the Ferrero Group's Institutional Affairs, Public Relations and Corporate Communications office (email: [csr@ferrero.com](mailto:csr@ferrero.com)), in compliance with the "GRI Sustainability Reporting Standards" (2016) and the "Food Processing Sector Disclosures" (2014), both published

by the Global Reporting Initiative (GRI), according to the option "Core".

This report was submitted for the GRI Content Index Service, and GRI confirmed the accuracy of the GRI Content Index.

The following points of reference were also taken into consideration:

- the "Ten Principles" of the United Nations Global Compact (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".

During the reporting period, the new production plant in China was inaugurated in September 2015.

In regard to the economic data, the scope of reporting corresponds to that of Ferrero International's consolidated financial statement.

*1. The company Ferrero Industrial Services G.E.I.E. and the non-profit organisation Piera, Pietro and Giovanni Ferrero Foundation are not included in Ferrero International's consolidated financial statement as they are deemed "related parties" for the purposes of IAS 24.*

*Regarding the qualitative and quantitative data on social and environmental aspects, the following entities were excluded from the scope of reporting:*

- the Stelliferi & Itavex Srl joint venture, which processes and sells toasted hazelnuts at different stages of processing;*
- the companies belonging to Oltan Group (except for the Group workforce data) and Thorntons Plc.*

*However, Ferrero Industrial Services G.E.I.E. and the Piera, Pietro and Giovanni Ferrero Foundation are included<sup>1</sup>.*

*It should be noted that with respect to the data and information included in this report*

*that has been stated to have come from third-party sources, the verification of the above-mentioned data and information has been limited to the correspondence between said data and information with the sources that are indicated.*

*The report was the subject of a limited assurance engagement by Deloitte.*

*This social responsibility report is also available online at [www.ferrerocsr.com](http://www.ferrerocsr.com), where the previous CSR reports, published in June 2010, June 2011, July 2012, July 2013, October 2014, October 2015 and November 2016 are also available. Reports will continue to be published on an annual basis.*



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# LETTER FROM THE CEO

The year 2016 marked the 70<sup>th</sup> anniversary of the Ferrero Group: 70 years of long-standing vision, continuous improvement and of an important value system, all built on our history and passion. This important milestone was a celebration of “the Ferrero way of doing things”, a modus operandi based on a love for things done “the right way”, a respect for and dedication to satisfying consumers’ needs, a continual dedication to quality and an extraordinary dose of creativity. These values are our roots. This is the DNA of our family business.

My father, Michele, had the courage to aspire and the vocation to believe. As an illuminated entrepreneur, he never stopped exploring new frontiers by fostering a “culture of doing”. The world will always belong to those who “do” and to those who are committed to the constant pursuit of excellence.

Again this year, our pursuit of excellence reaped the rewards. At the end of FY 2015/2016, the Ferrero Group’s consolidated Net Turnover amounted to €10.3 billion, up 8.2% from the previous year. Despite slow global economic growth, we were able to grow our business and consolidate our position on the market, retaining third place in the global ranking of top chocolate confectionary manufacturers. We have been able to grow by expanding our business and building a global brand portfolio with a long-term outlook.

In addition to our long-term strategies, we also need discipline and consistency in the short-term. The totality of our values, experiences and best practices make Ferrero a continual example of commercial ethics for our consumers. Our growth goes hand-in-hand with respect for People and the Planet, which is more important to Ferrero than its economic performance goals. Moreover, being a global group does not stop us from acting locally, and we continue to maintain a strong connection to the People and communities with whom we work.

With this Report, we renew our support for the United Nations Global Compact, the world’s largest corporate sustainability initiative.



Since 2011, we have supported the initiative and have played an active role in advancing the United Nations Sustainable Development Goals for the “Agenda 2030”. Finally, our actions are aimed at putting into practice the “Ferrero way of doing things”, such as sharing our values. These remain the same today as they were in the past, and thus create a shared value system for all of our stakeholders, from the People with whom we work, to the communities in which we operate.

July 2017

**Giovanni Ferrero**

Chief Executive Officer  
Ferrero International

# FERRERO'S SOCIAL RESPONSIBILITY

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

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

*Michele Ferrero*

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

For Ferrero, the most important report has never been its annual financial statement; it is in fact its social responsibility report which reflects **the Group's respect for People and the Planet.**

The Ferrero Group's approach to sustainability is currently based on the company's social responsibility strategy: "**Sharing values to create value**".

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

We therefore confirm all of the commitments of our corporate social responsibility strategy which is currently divided into two main subject areas: People and the Planet.



## PEOPLE

At Ferrero, customer focus isn't just a value, it's something we put into practice every day, based on a sense of responsibility that goes beyond commercial goals. This responsibility is made into reality through Ferrero's nutritional strategy, ongoing innovation, the quality and freshness of its products, food safety and responsible and transparent communication. In addition, Ferrero shows a constant interest in the lives of its current employees and former employees as well as the people living in the communities in which it operates. This commitment is also demonstrated by the activities of the Ferrero Foundation and the Michele Ferrero Entrepreneurial Project, active in Africa and Asia. The Group also continues its commitment to the promotion of active lifestyles by addressing young people and their families through the global Kinder+Sport "Joy of moving" programme.

## PLANET

Monitoring and improving the impact of its activities throughout the entire supply chain is a priority for the Ferrero Group, which it addresses by ensuring that its main raw materials are responsibly sourced. In addition, the Group is committed to production that respects the environment, by making use of the best technologies available, ensuring that the use of energy, materials and natural resources is efficient and by consuming water resources responsibly and reasonably. Acknowledging this responsibility, Ferrero is strongly committed to minimising its environmental impact, from raw materials to production plants and logistics, along the entire value chain.

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

# FERRERO GROUP'S GOALS FOR 2020

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

SCOPE	DESCRIPTION	PROGRESS
	Self-produced electricity totalling <b>70%</b> (instead of 75%) <b>of electrical consumption of all European plants, of which 18% (instead of 25%) from renewable sources</b>	Partially met in September 2014
	<b>Group ISO 50001 certification for the 17 production sites active in August 2014 – excluding the plants of Michele Ferrero Entrepreneurial Project – including power generation plants</b>	By 2020
	<b>Implementation of a global action plan on energy</b> , according to local needs of existing and future plants, aimed at reducing emissions	By 2020
	<b>40% reduction of CO<sub>2</sub> emissions</b> from production activities (compared to 2007)	By 2020
	<b>30% reduction of greenhouse gas emissions</b> (tonnes of CO <sub>2eq</sub> ) from transport and storage activities (compared to 2009)	By 2020
	<b>Use of packaging made from renewable sources</b> (+10% compared to 2009)	By 2020
	<b>100% virgin cardboard<sup>1</sup> from certified sustainable supply chain</b>	Reached in December 2014
	<b>100% of virgin paper<sup>2</sup> from certified sustainable supply chain</b>	Extended to 2017

1. The term *cardboard* refers to materials with a density (mass per square metre) over 225 g/m<sup>2</sup>.

2. The term *paper* refers to materials with a density (mass per square metre) below 225 g/m<sup>2</sup>.



PEOPLE



PLANET

ON  
TRACKNOT ON  
TRACK

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

# FERRERO GROUP'S STAKEHOLDERS AND MATERIALITY ANALYSIS

In 2015, by applying the new G4 Sustainability Reporting Guidelines, the Group updated the analysis of relevant sustainability topics through an internal materiality process, involving stakeholders and sharing goals and strategies.

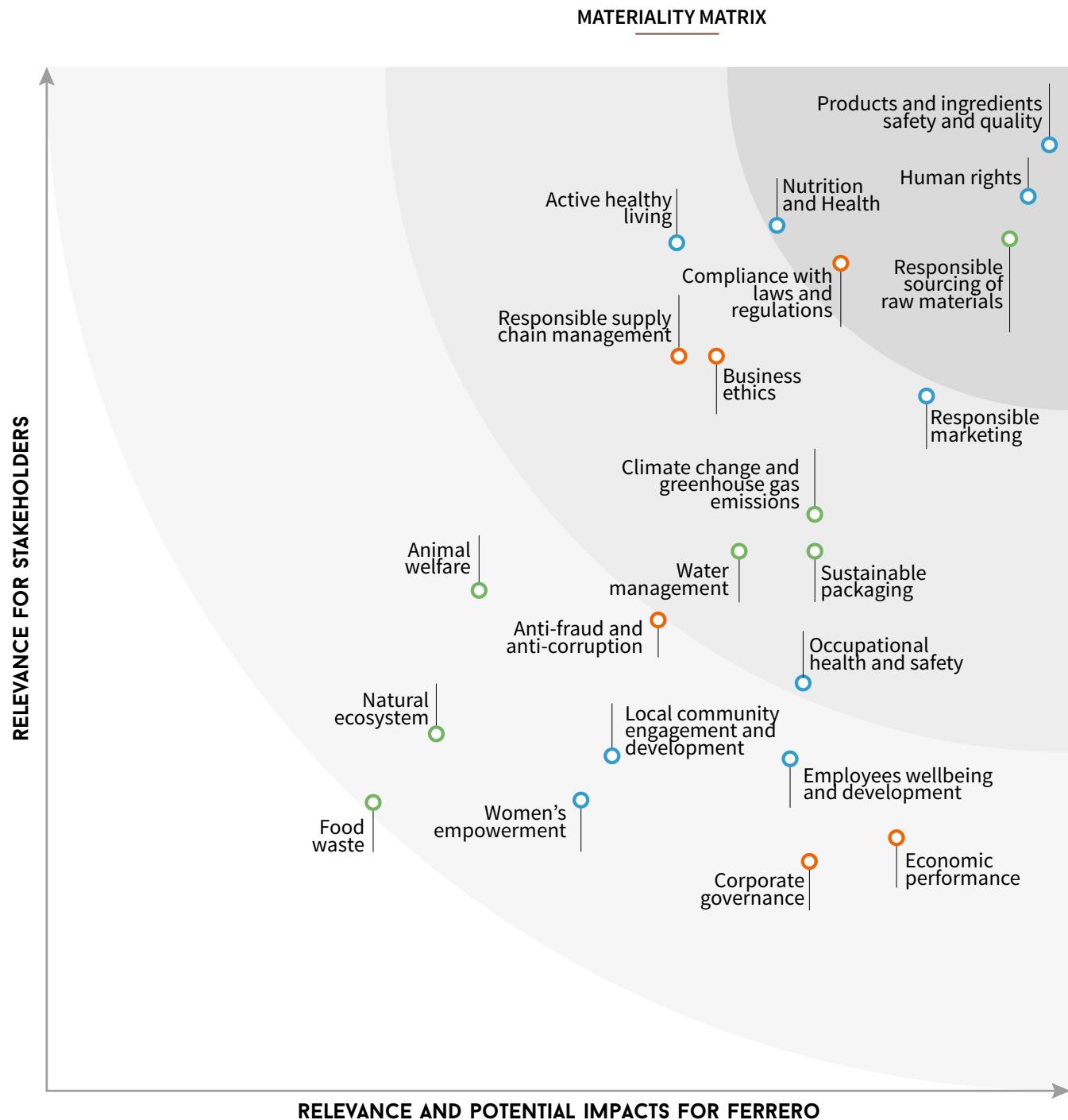
Specifically, the materiality analysis carried out for the preparation of the CSR report 2015 aimed to identify and assess the importance of various sustainability topics that affect the Group's ability to create value and those considered relevant by its stakeholders.

The starting point was the analysis of the GRI G4 Sustainability Reporting Guidelines and other topics identified as potentially relevant to the Group and its stakeholders.

Once these topics were identified they were assessed by the internal functions involved in the drafting of the Group's CSR report. This assessment was conducted through a questionnaire to measure the relevance of each issue according to both the relevance for the Ferrero Group and according to what emerged from the ongoing dialogue with the main stakeholders. This quantitative analysis was supplemented by a qualitative analysis which saw the involvement of a selection of Group managers who defined the materiality matrix described below.

In the matrix, the aspects that are most relevant to Ferrero Group and its stakeholders are placed in the top right-hand box and represent a strategic priority for the Group.

The importance of topics relating to the safety and quality of products and ingredients, the Group's nutritional strategy and to the promotion of active lifestyles has been confirmed; in addition to aspects concerning the responsible supply of raw ingredients, the respect and defence of human rights, the proper management of the supply chain and women empowerment. The importance of topics such as compliance with laws and regulations, ethics in relations with business partners, the responsible management of relations with suppliers and the application of a responsible marketing and communication strategy were also highlighted. Special attention is also paid to the health and safety of employees, as well as to their wellbeing and development. Environmental sustainability (climate change and greenhouse gas emissions, management of comprehensive water resources, sustainable packaging and respect for the natural ecosystem) completes the list of topics identified as the most relevant, together with anti-fraud and anti-corruption policies, food waste, and development of local communities, corporate governance and economic performance.



## FERRERO'S CORPORATE SOCIAL RESPONSIBILITY

For each of the 22 topics that emerged as material, in order to identify where the issue generates an impact and thus determining its relevance, a perimeter was also defined and applied.

SCOPE	TOPICS	PERIMETER
	Business ethics	Ferrero Group, Suppliers, Distributor and Retailers, Farmers
	Corporate Governance	Ferrero Group
	Economic performance	Ferrero Group, Suppliers, Distributors and Retailers, Farmers
	Compliance with laws and regulations	Ferrero Group, Suppliers, Distributors and Retailers, Consumers
	Anti-fraud and anti-corruption	Ferrero Group, Suppliers, Distributors and Retailers
	Responsible supply chain management	Purchases, Suppliers, Distributors and Retailers
	Nutrition & health	Nutritional strategy, Products, Consumers, Consumer associations and NGOs, Institutions, Governments and Regulators
	Products and ingredients safety and quality	Production plants, Products, Suppliers, Distributors and Retailers, Consumers, Consumer associations and NGOs
	Responsible marketing	Marketing, Communication and Media, Consumers
	Employees wellbeing and development	Ferrero Group, Ferrero Foundation, Trade unions, Local communities
	Occupational health and safety	Production plants, External collaborators, Suppliers
	Women's empowerment	Ferrero Group, Farmers
	Active healthy living	Kinder+Sport, Consumers, NGOs, Local communities
	Local community engagement and development	Purchases, Production plants, HCo, Kinder+Sport, Ferrero Foundation, Michele Ferrero Entrepreneurial Project, NGOs, Institutions, Governments, Local communities
	Human rights	Ferrero Group, Suppliers, Farmers, NGOs
	Responsible sourcing of raw materials	Purchases, HCo, Suppliers, Farmers, NGOs
	Food waste	Production plants, Products, Suppliers, Distributors and Retailers, Farmers, Consumers
	Animal welfare	Purchases, Suppliers, NGOs
	Natural ecosystem	Production plants, Suppliers, Farmers, Local communities
	Climate change and greenhouse gas emissions	Production plants, Warehouses, Suppliers, Employees travels
	Sustainable packaging	Packaging management, Production plants, Consumers, Suppliers
	Water management	Production plants, HCo, Suppliers

The topics mentioned are consistently analysed in the relevant chapters of this report, through a qualitative description of the management approach and specific performance indicators. The coverage of this is shown in the summary table, available in the section “Our CSR Reports” of our website [www.ferreroCSR.com](http://www.ferreroCSR.com), compiled according to the form proposed by the GRI Sustainability Reporting Standards.

For the purpose of drafting the CSR report, the mapping of internal and external stakeholders (stakeholder mapping) has been confirmed, affirming the centrality of the consumer, who is therefore Ferrero’s first key stakeholder.

The stakeholders for which the following report is intended are therefore indicated in the following diagram:

STAKEHOLDER MAPPING



In regard to stakeholder involvement, the Ferrero Group actively participates in debates and in the work groups of trade and industry associations it belongs to at an international, European and national level (see list in the chapter "The Ferrero Group"). In addition, the Group has developed a structured dialogue with some NGOs that also work in CSR.

The materiality analysis did not directly involve stakeholders outside of the Group. However, with a view to continuously improve its sustainability strategy, Ferrero, over the coming years, aims to update these analyses, by also involving external stakeholders.

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# THE GROUP







# THE GROUP IN NUMBERS

**F**errero's corporate social responsibility approach is largely focused on offering consumers around the world innovative products of the highest quality and freshness made using carefully selected raw materials.

## TOTAL PRODUCTION (tonnes)

2014/2015	2015/2016	PRODUCTION INCREASE
1,207,800	1,265,950	4.8%

## CONSOLIDATED NET TURNOVER (€/000)

2014/2015	2015/2016	NET TURNOVER INCREASE
9,541,772	10,325,845	8.2%

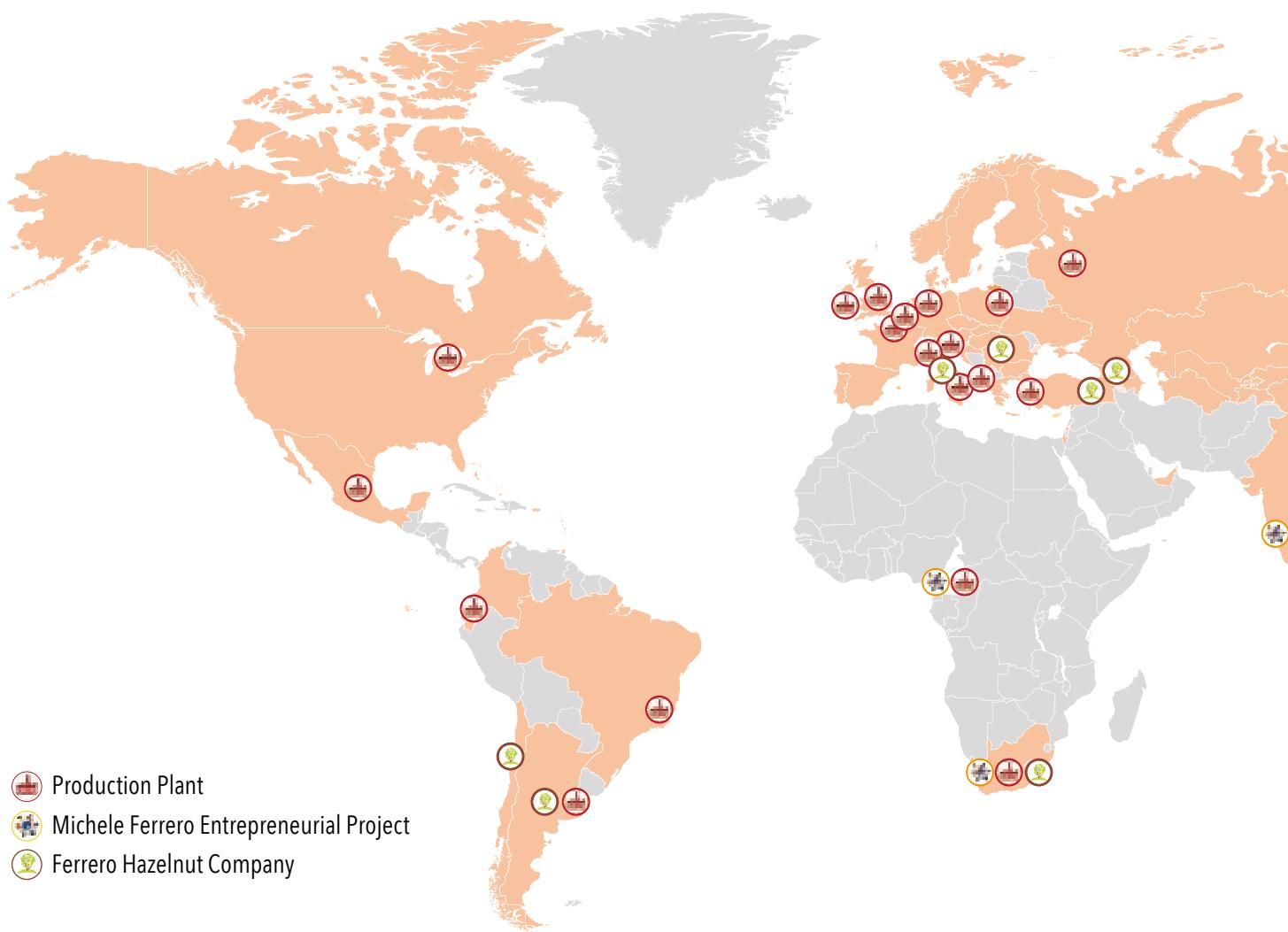
## GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED NET TURNOVER FY 2015/2016

ITALY	REST OF EUROPE	OUTSIDE OF EUROPE
14%	59%	27%

## AVERAGE GROUP WORKFORCE

2014/2015	2015/2016	AVERAGE WORKFORCE INCREASE
25,784	29,206	13.3%

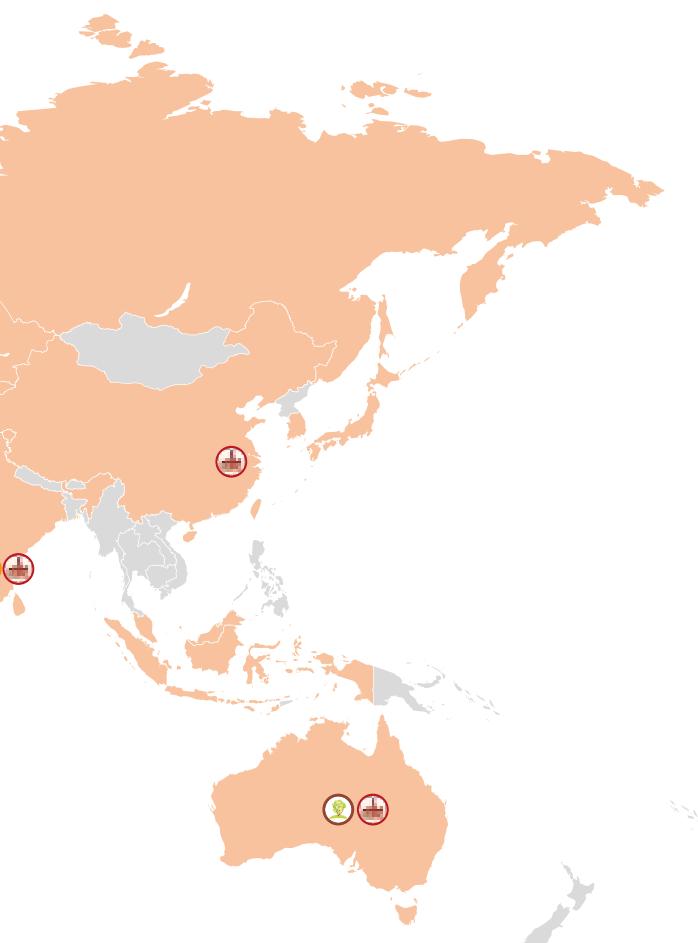
# FERRERO AROUND THE WORLD



## THE FERRERO GROUP IS PRESENT IN 55 COUNTRIES

ARGENTINA	CHINA	GERMANY	JAPAN	PORTUGAL	SPAIN
AUSTRALIA	COLOMBIA	GREECE	KAZAKHSTAN	PUERTO RICO	SRI LANKA
AUSTRIA	CROATIA	HONG KONG	LUXEMBOURG	ROMANIA	SWEDEN
BELGIUM	CZECH REPUBLIC	HUNGARY	MALAYSIA	RUSSIA	SWITZERLAND
BRAZIL	DENMARK	INDIA	MEXICO	SERBIA	TAIWAN
BULGARIA	ECUADOR	INDONESIA	MONACO	SINGAPORE	TURKEY
CAMEROON	FINLAND	IRELAND	NETHERLANDS	SLOVAKIA	UAE
CANADA	FRANCE	ISRAEL	NORWAY	SOUTH AFRICA	UKRAINE
CHILE	GEORGIA	ITALY	POLAND	SOUTH KOREA	UNITED KINGDOM
					UNITED STATES

Ferrero products are present and sold, directly or through authorised retailers, in more than 170 countries belonging to the entire international community.



## OUR 22 MANUFACTURING PLANTS



ITALY	Alba	1946
GERMANY	Stadtallendorf	1956
FRANCE	Villers-Écalles	1960
ITALY	Pozzuolo Martesana	1965
AUSTRALIA	Lithgow	1974
IRELAND	Cork	1975
ECUADOR	Quito	1975
ITALY	Balvano	1985
ITALY	S. Angelo dei Lombardi	1985
BELGIUM	Arlon	1989
POLAND	Belsk Duży	1992
ARGENTINA	La Pastora	1992
BRAZIL	Poços de Caldas	1994
CANADA	Brantford	2006
CAMEROON	Yaoundé*	2005
SOUTH AFRICA	Walkerville*	2006
INDIA	Baramati*	2007
RUSSIA	Vladimir	2009
MEXICO	S. José Iturbide	2013
TURKEY	Manisa	2013
CHINA	Hangzhou	2015
ENGLAND	Alfreton	2015

\*Michele Ferrero Entrepreneurial Project

## HCO - HAZELNUT COMPANY



### 6 AGRICULTURAL COMPANIES IN:

CHILE  
ARGENTINA  
GEORGIA  
SOUTH AFRICA  
AUSTRALIA  
SERBIA

### 8 MANUFACTURING PLANTS IN:

CHILE  
ITALY  
TURKEY

**AN EXTENSIVE AND CONSTANTLY INCREASING PRESENCE THAT ATTESTS TO THE QUALITY OF THE PRODUCTS, THE GROUP'S ABILITY TO ADAPT AND RESPOND QUICKLY TO THE NEEDS OF DIFFERENT MARKETS, AS WELL AS TO THE FACT THAT THE GROUP AND ITS PRODUCTS ARE IN TUNE WITH THE DAILY NEEDS OF CONSUMERS AROUND THE WORLD.**

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

## RAW MATERIALS

During the FY 2015/2016 the Group used a total of 1,830,193 tonnes<sup>1</sup> of agricultural raw materials and packaging raw materials.

# CORPORATE GOVERNANCE

The Group's organizational structure and governance has evolved over time, in step with global expansion. The key factors that characterise the Group's history and growth are:

- the company is still family-owned;
- continued expansion into new markets;
- the opening of new production plants;
- constant innovation of products and their packaging;
- a focus on the highest quality and freshness.

As of 31<sup>st</sup> August 2016, the Group was composed of 86 consolidated companies, managed under **Ferrero International S.A.**, the parent company, a Luxembourgian company based in Luxembourg, the strategic and operational heart of the Group where almost 1,000 employees work.

Since 1998, Ferrero International has applied a traditional corporate governance model, with the **Shareholders' Meeting** and the **Board of Directors** (BoD) in a central role. The Chairman of the BoD plays a guiding role, rather than an executive one.

The BoD also has members who do not belong to the Ferrero family, including the Vice President. The executive members of the BoD are appointed based on their qualifications and skills and subject to constant assessment based on merit. The BoD makes use of the **Group Leadership Team**, an executive committee based and operating in Luxembourg. Established in 2011, it is made up of the heads of the main corporate functions of the company and plays a supporting role in decision making and implementation of corporate strategies defined by the BoD.

The BoD has also created the **Audit Committee**, which operates at head office

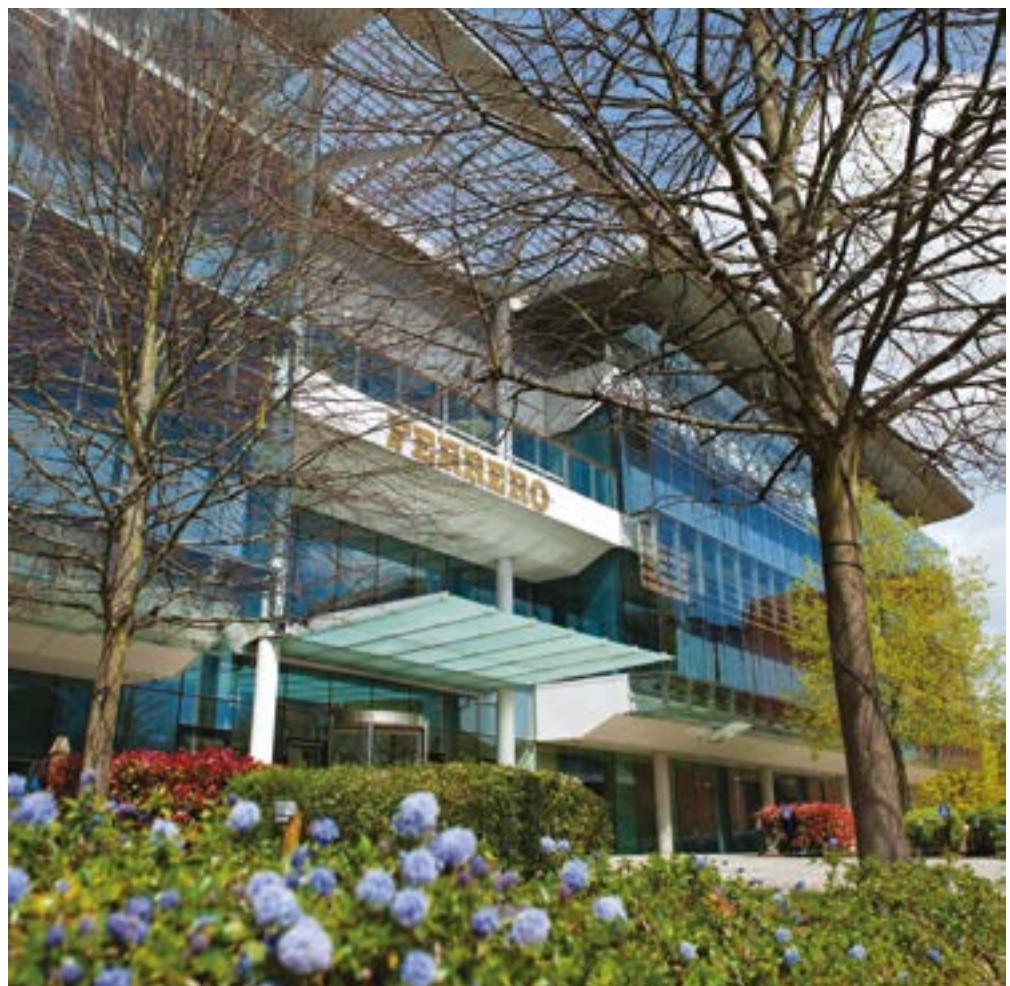
level. This committee, mainly composed of professionals from outside the Group, provides advice and recommendations to the BoD on internal control systems. The Audit Committee is appointed by the Board of Directors and comprises at least five members, three of whom are independent non-executive directors. Two of the three independent non-executive directors will have recent and relevant financial experience and possibly a Consumer Goods business knowledge. With the Audit Committee's assistance, the BoD sets the guidelines aimed at strengthening the effectiveness of the internal control system, including constant reference to international best practices.

The Audit Committee's role, as assigned by the BoD, is to:

- supervise the Financial Reporting process;
- review the Group's Performance with a focus on the key drivers and initiatives/events in order to assess the risks and the impact on the Internal Controls system;
- assess the effectiveness of the Internal Control system based on the CoSO model (Internal Control-Integrated

Framework) by evaluating:

- the governance, risk management processes and controls implemented by management;
- the effective functioning of Group Internal Audit (GIA) in providing independent quality assurance;
- recommend the appointment of the External Auditor, evaluate the performance, approve the audit fees and terms of engagement.



# FERRERO'S ADDED VALUE

**B**y "Added Value" we mean the **economic value generated by the Group**. The "Net Added Value"<sup>2</sup> in particular represents the economic value generated during the reporting period, net of depreciation and operating costs, which includes payments to suppliers (mainly for raw materials and services).

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

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

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

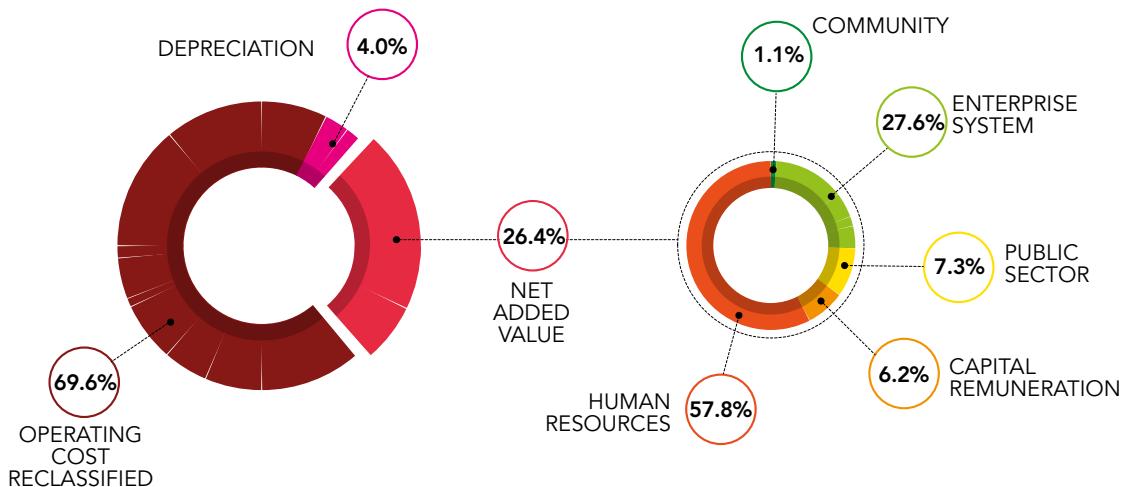
The item "Public Sector" represents the amount the Group must pay to public bodies as corporation tax and other contributions directly connected to the company assets, with the exclusion of taxes and additional costs relating to operations (duties and customs fees).

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 the Group, i.e. the difference between the generated economic value and the distributed economic value.

2. During FY 2015/2016 the "Net Added Value" generated by the Ferrero Group was €2,875 million.

## ADDED VALUE GENERATED AND DISTRIBUTED - FY 2015/2016



# COMPLIANCE WITH LAWS AND REGULATIONS



The year in question saw **no significant sanctions** for failure to comply with laws and regulations. Or any significant penalties in the form of sanctions or fines for failure to respect environmental or social obligations.

Moreover, there were no significant cases of failure to comply with regulations and voluntary codes regarding the impact of products on health and safety during their life cycle and no significant sanctions for failure to comply with laws and regulations regarding the supply and use of products. Similarly, there were no episodes of discriminatory practices involving key internal or external players, or any instances of corruption.

Internal risk monitoring for potential fraud and corruption risks is carried out in some Group companies in addition to training activities on the matter. Starting from FY 2016/2017, Ferrero will begin to provide a specific training course on anti-corruption policies and procedures worldwide.

*3. Employees who fall under the "blue collar" category are excluded.*

This course will be aimed at all employees<sup>3</sup> of the Group.

In relation to contributions from public administration, the income statement contributions and capital grants for FY 2015/2016 do not amount to a significant total value at the consolidated financial statement level.

Ferrero respects and protects the privacy of the personal data of its employees, consumers, customers and other stakeholders with great accuracy and in line with the laws in force in the jurisdictions in which it operates.

The Group always puts safety first when selecting, defining and applying procedures, including IT procedures, for the processing of personal data and confidential information, to protect the rights, fundamental freedoms and the dignity of individuals. For more information, please see the Group's Code of Ethics (available at [www.ferrero.com](http://www.ferrero.com)).

# MAIN EUROPEAN AND INTERNATIONAL ORGANISATIONS AND ASSOCIATIONS OF WHICH FERRERO IS AN ACTIVE MEMBER

## CSR ORGANISATIONS

### **UNITED NATIONS GLOBAL COMPACT (headquarters in New York)**

A political and strategic initiative for businesses that are committed to aligning their activities with the 10 universally accepted principles on human rights, labour, environment and combating corruption ([www.unglobalcompact.org](http://www.unglobalcompact.org)).

### **GLOBAL REPORTING INITIATIVE – GRI (headquarters in Amsterdam)**

A non-profit organisation that promotes economic, environmental and social sustainability by providing a comprehensive framework of reporting parameters ([www.globalreporting.org](http://www.globalreporting.org)).

### **CSR EUROPE (headquarters in Brussels)**

An organisation founded in 1995 to encourage and support corporate social responsibility. CSR Europe has 50 corporate members and 45 national partner organisations. In total, the organisation connects over 10,000 companies ([www.csreurope.org](http://www.csreurope.org)).

## TRADE AND INDUSTRY ASSOCIATIONS

### **AEF - ADVERTISING EDUCATION FORUM**

A non-profit organisation that provides information on advertising regulations at an international level, with a particular focus on advertising aimed at children ([www.ae-forum.org](http://www.ae-forum.org)).

### **AIM - EUROPEAN BRANDS ASSOCIATION**

A European association that brings together brand manufacturers, for a total of 1,800 businesses in 21 countries, disseminating information and raising awareness of issues such as developing, distributing and marketing brands ([www.aim.be](http://www.aim.be)).

### **BONSUCRO**

A non-profit organisation that fosters the sustainability of the cane sugar industry through its metric-based certification scheme. Today its members total over 400 in 32 different countries, representing all stages of the production chain ([www.bonsucro.org](http://www.bonsucro.org)).

### **CAOBISCO - EUROPEAN ASSOCIATION OF CHOCOLATE, BISCUIT & CONFEC-TIONERY INDUSTRIES**

An association that represents around 11,000 chocolate, biscuit and confectionery companies in the European Union with the aim of creating an innovative, modern and more sustainable chocolate, biscuit and confectionery industry ([www.caobisco.eu](http://www.caobisco.eu)).

### **EUFIC - EUROPEAN FOOD INFORMATION COUNCIL**

A non-profit organisation supported by companies in the food and beverage industry and by the European Commission; it provides information on and carries out research into food safety and quality ([www.eufic.org](http://www.eufic.org)).

### **FDE - EUROPEAN FEDERATION OF FOOD & DRINK INDUSTRIES**

A European federation that promotes and represents the interests of the food and beverage industry ([www.fooddrinkeurope.eu](http://www.fooddrinkeurope.eu)).

### **IFBA - INTERNATIONAL FOOD & BEVERAGE ALLIANCE**

An organisation bringing together the world's leading companies in the food and beverage industry with the shared goal of promoting a balanced diet and healthy lifestyle for consumers ([www.ifballiance.org](http://www.ifballiance.org)).

### **CGF - THE CONSUMER GOODS FORUM**

The Consumer Goods Forum is a global network that brings together approximately 400 distributors, manufacturers, service providers and other stakeholders from 70 countries in order to promote efficient business practices with a view to positive change ([www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com)).

### **TIE - TOY INDUSTRIES EUROPE**

An organisation that represents the interests of toy manufacturers in the European Union and promotes the role of toys and the act of playing in children's educational, physical and social development ([www.tietoy.org](http://www.tietoy.org)).

### **WFA - WORLD FEDERATION OF ADVERTISERS**

A global organisation uniting national associations and businesses in the advertising industry that today have a 90% market share of the advertising market, promoting responsible and effective communication ([www.wfanet.org](http://www.wfanet.org)).

The headquarters of all these organisations are located in Brussels, with the exception of Bonsucro, which is based in London.

# THE ABCDE PLAN

**S**ince 2011 the Ferrero Group has been implementing the ABCDE Plan (A Business Code Dialogue Engagement), aimed at **sharing the Group's Code of Business Conduct with all stakeholders** in the value chain.

The code is based on the Ferrero principles, complies with the Group's Code of Ethics (both available at [www.ferrero.com](http://www.ferrero.com)) and defines Ferrero practices in the following areas:

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

**In 2013, the goal of sharing Ferrero's Code of Business Conduct with the entire value chain was achieved.**

Since that moment, new contracts signed with the Group's suppliers include

a clause on the acknowledgement and acceptance of the Code, an initiative continued in FY 2015/2016.

However, the Ferrero Group hasn't stopped at merely reaching its objective. Using the Code of Business Conduct as a starting point, it has created specific verification protocols for the sustainability of agricultural raw materials; in particular the Ferrero Farming Values protocol for the field production of hazelnuts, developed in partnership with SCS Global Services, which provides the verification audits of Ferrero's supply chain.

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

For further details, please see the chapter "F-ACTS: Ferrero Agricultural Commitment To Sustainability".

The Ferrero supply chain policy, based on the Code of Business Conduct, complies with the company's principles, the Code of Ethics, the Ferrero Code for toys Safety and Quality, the Ethical, Social and Environmental Requirements for Suppliers of KINDER® Toys, international standards for food quality and food safety management systems (ISO and IFS), specific verification protocols for the sustainability of agricultural raw materials and a number of environmental standards (ISO and EMAS). In FY 2015/2016, suppliers were audited in the following fields: food quality and food safety management systems, specific certifications for agricultural raw materials, Ferrero codes for the toys mentioned above (for more details, please see the relevant chapter of this report).

Furthermore, since December 2013, Ferrero has been part of the Supply Chain Initiative, promoting the implementation of the Principles of Good Practices in Vertical Relations in the Food Supply Chain ([www.supplychaininitiative.eu](http://www.supplychaininitiative.eu)).

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

In January 2017, the promoters of the Supply Chain Initiative submitted the third annual report, that provides an overview of progress and achievements in the Supply Chain

Initiative since its launch in September 2013. It also presents the results of the third annual survey of registered companies, the actions undertaken and implementation under the SCI ([www.supplychaininitiative.eu/node/973](http://www.supplychaininitiative.eu/node/973)).

Since joining the Supply Chain Initiative, Ferrero has not lodged any complaints, nor have any been lodged against it.



# FERRERO'S SPENDING ON LOCALLY-BASED SUPPLIERS

**B**

elow are details of the percentages of purchases made from local suppliers, from total spending in the countries where the main production plants are located<sup>4</sup>:

## SPENDING ON LOCALLY-BASED SUPPLIERS IN MAIN COUNTRIES

COUNTRIES	SPENDING WITH LOCAL SUPPLIERS
Italy*	95%
Germany**	99%
Argentina**	94%
Australia**	93%
Belgium**	57%
Canada	76%
China**	80%
France**	91%
Ireland	69%
Mexico**	96%
Poland**	76%
Russia	98%
Turkey	98%

Assessing the potentially significant impact of Ferrero plants on local communities is a key element to our strategy. We carefully monitor our economic, social and environmental impact and believe that utilizing local suppliers is an important indicator of how deeply we are committed to and involved in the communities where we operate.

The following chapters of this report contain a full analysis of the Group's impact on local communities, including, in particular, The Ferrero Foundation, Michele Ferrero Entrepreneurial Project, F-ACTS: Ferrero Agricultural Commitment To Sustainability and Minimising Environmental Impact.

\*The figure includes Ferrero SpA, Ferrero Commerciale Italia and Ferrero Industriale Italia, coherently with the figure published in the CSR Report 2015.

\*\* The figure does not cover all Ferrero companies in the country, just the company that manages the plant.

4. The values refer to spending by plants with national suppliers out of the total value of purchases for the period 2014/2015. Internal company purchases and central procurement (such as raw materials and packaging) are not included.

## FERRERO 1<sup>ST</sup> FOOD COMPANY IN THE WORLD FOR REPUTATION IN THE RANKING OF THE 100 BEST COMPANIES

# REPUTATION INSTITUTE



Reputation Institute's Global RepTrak® 100 confirmed Ferrero as the **top Italian company** in terms of reputation in its listings for 2017.

This year Ferrero is again **the first company within the food industry category**. Moreover, it gained one position ranking in **17<sup>th</sup> place in the worldwide list**, with a score of 75.45.

Giovanni Ferrero, CEO of the Ferrero Group, comments: "We are proud of the trust that consumers throughout the world have confirmed again for another year, by ranking us - in terms of reputation - at first place in the world as a food company as well as an Italian company. It is the confirmation that 'quality first' is the real key to success".

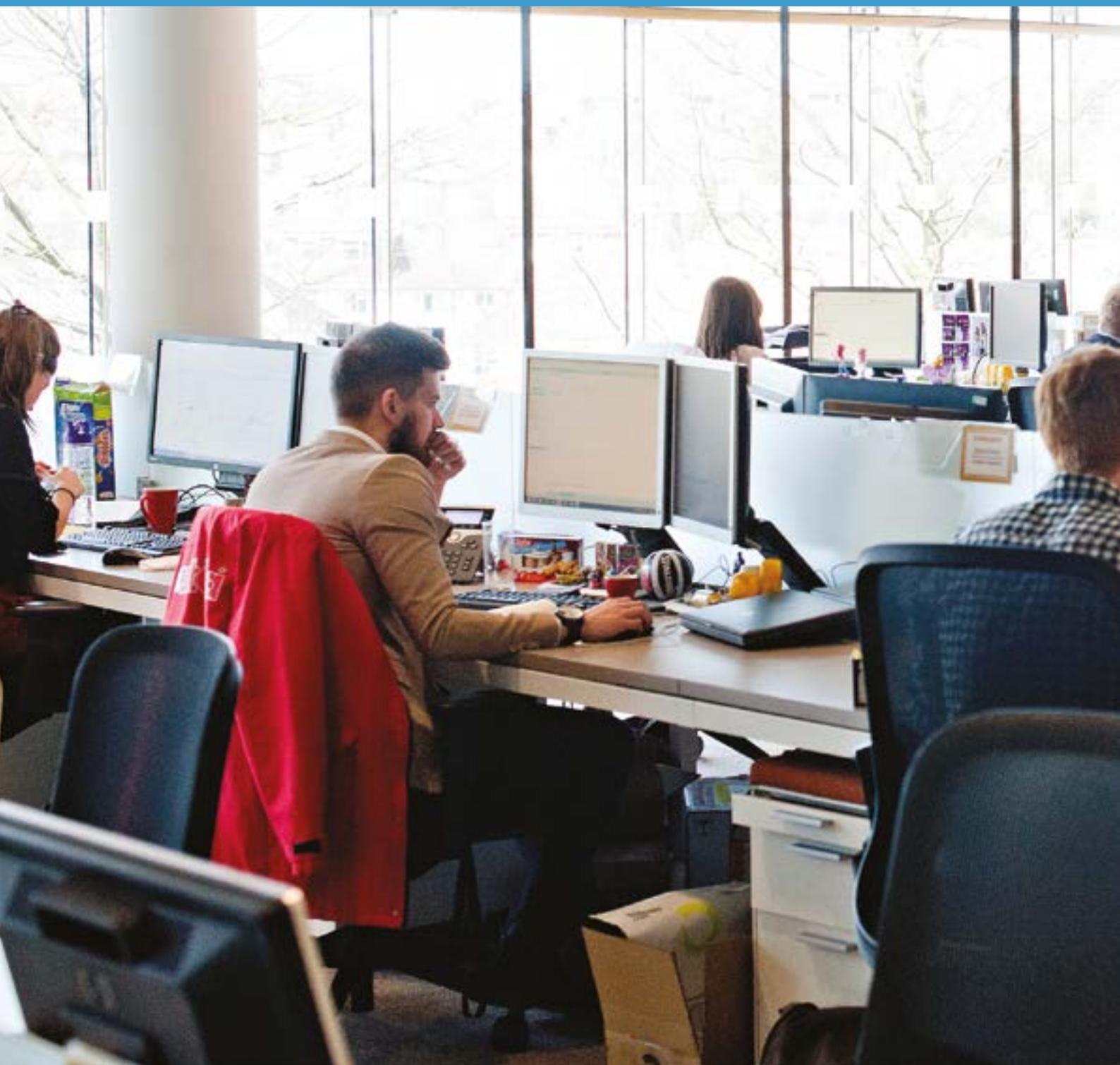
The RepTrak® model measures consumers' perception of the world's largest companies, based on a scale that takes into account seven dimensions: **products and services, innovation, workplace, governance, social responsibility, leadership and performance**.

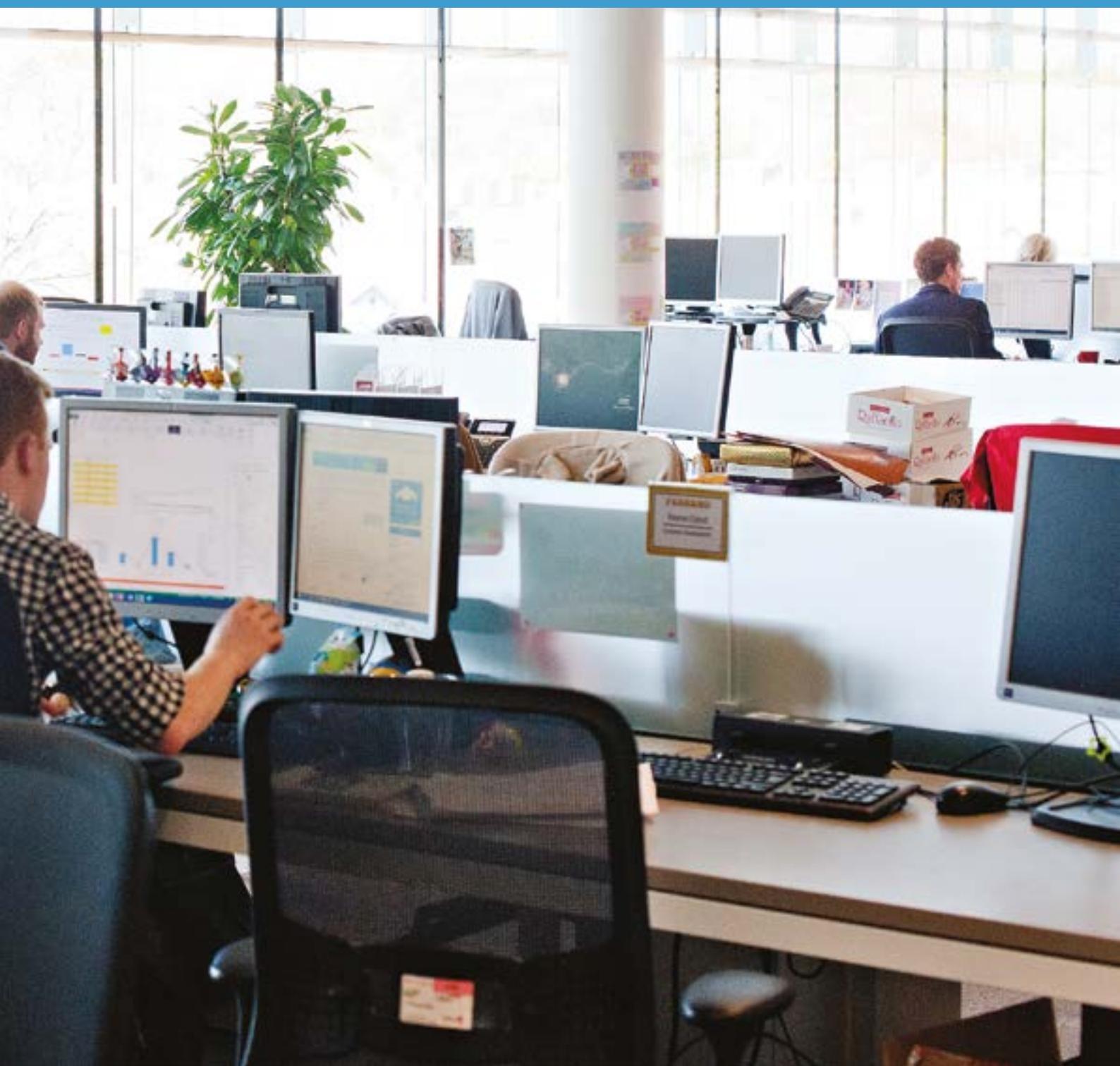
Based on over 170,000 ratings collected in the first quarter of 2017, the survey is the largest corporate reputation study of its kind. It includes comparative ratings, trends by demographic cuts, and unique insights into which companies are most highly regarded by stakeholders, as well as what drives trust and supportive behaviour such as willingness to purchase a company's product, recommend the brand, invest in or even work for the company.

# 02

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# PEOPLE







This section of the report is dedicated to **People, who play a central role in the Ferrero Group's daily activity.** "People" refers to our consumers, the women and men who work in Ferrero, former employees and local communities.

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**THE FERRERO GROUP'S INCEPTION AND GROWTH, GENERATION AFTER GENERATION, HAS BEEN POSSIBLE THANKS TO THE UNCONDITIONAL PASSION OF PEOPLE WHO ARE AND HAVE BEEN PART OF THE GROUP AND TO OUR CONSUMERS' CONTINUED FAITH IN OUR PRODUCTS.**

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This passion and faith are strengthened by the Group's commitment to achieving its commercial goals without ever losing sight of the principles that guide its actions: loyalty and trust, respect and responsibility, integrity and moderation and passion for research and innovation. Through these principles Ferrero has always been able to put people, high product quality and its attention to the local communities and social aspects at the centre of its strategies.

Ferrero wanted to translate its passion and engagement for satisfying the **Consumer** into action, putting them at the centre of its daily activities by producing a product of the highest quality, ongoing innovation, commitment to freshness and food safety and responsible communication.

But the future of the Group also lies with the women and men who make precious contributions to Ferrero by investing their time, work and ideas. The Group's care for **Ferrero's Women and Men** can be seen, every day, in the positive working environment, where employees can develop and grow their skills and abilities and in the social policy developed with their well-being in mind.

The **Ferrero Foundation** is an expression of the Group's respect and grati-

tude towards the people who have contributed to its development and shared its values. The Foundation welcomes retired Ferrero employees and over time it has grown and extended its scope of action to become a veritable education centre and cultural point of reference.

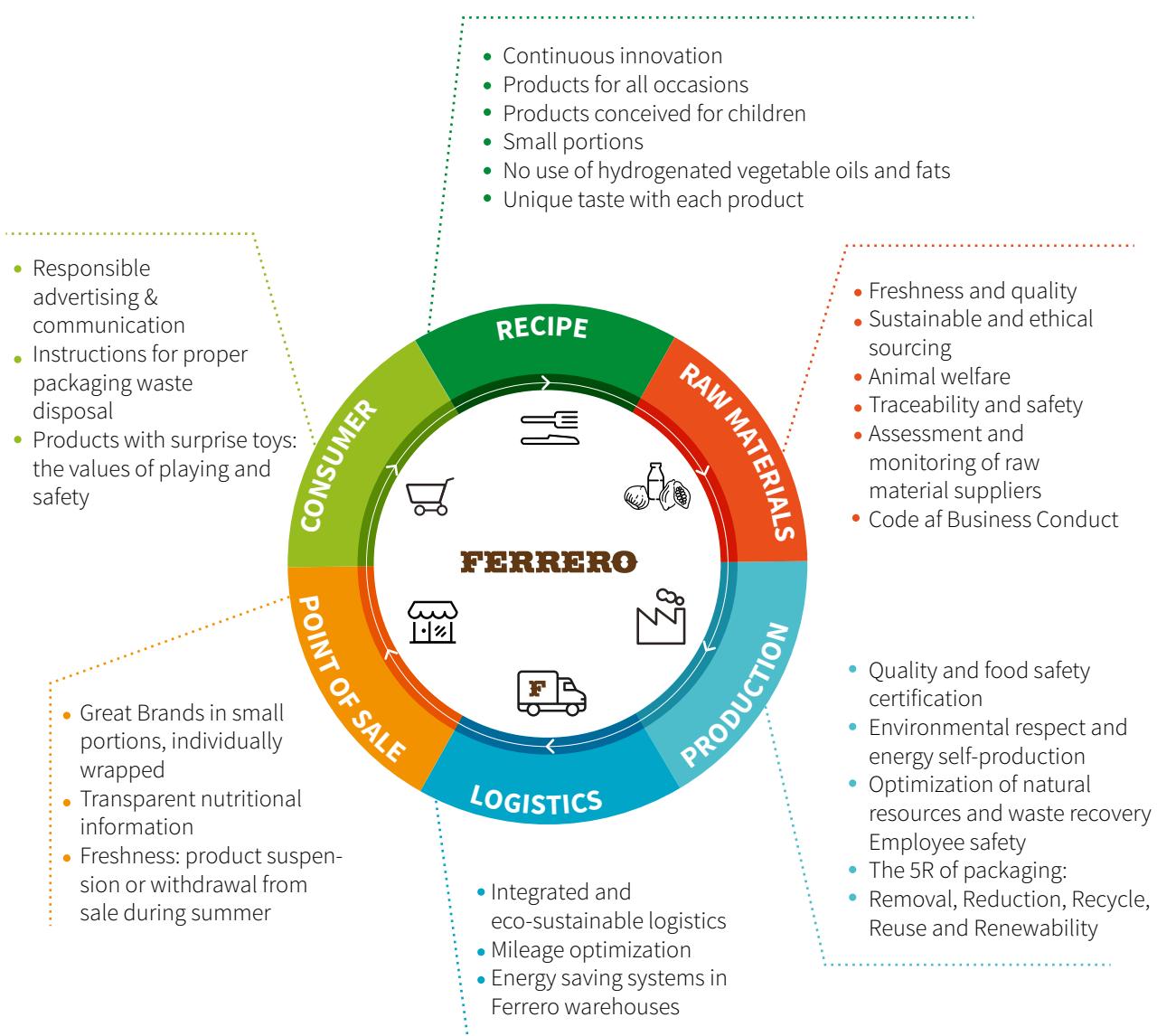
The Ferrero Group's attention to people is also reflected in the "**Progetto Imprenditoriale Michele Ferrero**" (Michele Ferrero Entrepreneurial Project), in memory of "Cavaliere del Lavoro" Michele Ferrero, who had passionately encouraged and supported every step of its development. This creates employment in some disadvantaged areas of emerging countries and carries out social and humanitarian projects and initiatives to improve the health and education of the children and young adults from the local communities.

For a number of years, Ferrero's social responsibility towards people also includes encouraging young people to get involved in exercise and sport, promoting active lifestyles for young people and their families through the global programme **Kinder+Sport**. Kinder+Sport promotes sporting activities and aims to spread the joy of being active to children and young people around the world, inspiring them to adopt active habits from an early age.



# OUR CONSUMERS

## THE VALUE CHAIN OF OUR PRODUCTS: A PATH OF RESPONSIBILITY



# FERRERO'S COMMITMENT TO NUTRITION

Nutrition is a fundamental element of our life – it is both a pleasure and source of nourishment. Ferrero produces and distributes in over 170 countries some of the world's best-loved confectionery products: founded on high quality and the ability to perfectly integrate into **a healthy lifestyle and a varied and balanced diet.**

A healthy source of nutrition is fundamental to our well-being. One of our corporate goals is the commitment to help our consumers make correct food choices and encourage them to adopt a varied and balanced diet, providing the right amount of energy and essential nutrition.

For this reason, Ferrero believes that all food types can be part of a varied and balanced diet, without drastically restricting certain foods or condemning individual ingredients or nutrients.

The wealth of scientific knowledge on food and nutrition is vast and continually growing. In light of this, **the role that Ferrero's Major Brands have in daily nutrition is in line with the basic guidelines of modern nutritional science:**

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

In line with these principles, Ferrero has developed an innovative strategy based on:

- 1) the careful selection of high-quality raw materials that provide essential energy and micronutrients: the physiological role of the ingredients' natural components is preserved by unique strategic industrial processes, preserving their quantity and importance;
- 2) the promotion of foods that can be integrated into food education programs for both consumers and the medical-scientific community;
- 3) suitable product portions that can help consumers reach an optimal balance in their daily energy intake;
- 4) the development of an educational programme dedicated to promoting active lifestyles.

For over 10 years and thus well ahead of general food safety guidelines, Ferrero has been selecting its raw materials according to strict quality criteria and carefully producing and handling its finished products. This has enabled Ferrero to avoid the use of hydrogenated vegetable oils, which form trans fatty acids (TFAs) and are considered harmful to health, and not artificially add micronutrients to its products during industrial manufacturing processes.

Food education is the most structured and effective approach in promoting healthy nutrition and healthy diet choices. The use of low-calorie product portions allows consumers greater flexibility in managing their daily intake of food. Clear and simple food labels facilitate and promote food combinations that are in line with internationally recognised institutional guidelines, thus supporting the development of a healthy lifestyle.

The educational programme developed by Ferrero is constantly expanding and this year broadened its horizons to working on improving food and nutrition knowledge and information for the larger medical-scientific community.

In celebration of Ferrero's 70th anniversary, a specific campaign was launched to raise awareness within the medical community on the key elements of Ferrero's research and more general scientific literature, which support the role and importance of the main ingredients in Ferrero products.

The research evaluating the role of saturated fat in the human diet was particularly noteworthy, which today is believed to have a lower impact on health than believed in the past, when maintained at 10% of the overall energy intake.

As a major ingredient in Ferrero products, hazelnuts have a positive nutritional role thanks to their antioxidants and micronutrients (vitamin E). Furthermore, scientific studies have shown that hazelnuts have significant positive effects on vascular elasticity.

Ferrero believes that the diet as a whole, and not the single food type, is what determines health, and that consumers are increasingly becoming more oriented toward healthier food choices. As such, **Ferrero has united the concept of sustainability with these notions of a healthy diet and desire for well-being**, leading the company to believe and affirm that "sustainable nutrition" is the only possible evolution of nutrition.

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**REGARDING THE STRATEGY OF NUTRITION, IN 2011 FERRERO ESTABLISHED A "NUTRITION" SCIENTIFIC COMMITTEE, WHICH IS PRESIDED BY THE VICE-PRESIDENT OF THE FERRERO GROUP AND INVOLVES MANAGERS FROM ALL DEPARTMENTS WORKING IN NUTRITION FROM A TECHNICAL, COMMERCIAL, LEGISLATIVE AND COMMUNICATIONS PERSPECTIVE. IN LINE WITH THE GENERAL STRATEGY GUIDELINES OF THE GROUP, THE COMMITTEE MEETS MONTHLY TO PREPARE RECOMMENDATIONS THAT ARE THEN PRESENTED TO THE FERRERO GROUP PRESIDENT AND CHIEF EXECUTIVE OFFICER. THE COMMITTEE IS ALSO ENTRUSTED TO IMPART AND COORDINATE THE OPERATIONAL DECISIONS ON NUTRITION MATTERS.**

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## GREAT BRANDS IN SMALL PORTIONS

The secret of a balanced diet is the correct management of food variety and portions. Food and/or meal portions play a key role in defining one's diet. This is why Ferrero, having anticipated the current food industry trend in portion reduction and moderation, has always controlled the caloric intake of its products from the early stages of product development. Products are then offered for the most part in satisfying and versatile portions that easily fit into daily eating episodes, without becoming a major component.

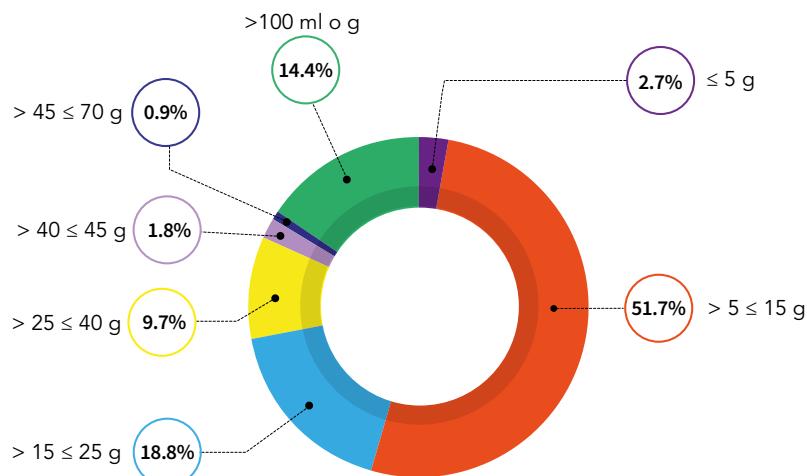
Combining taste and balance in nutrition and diet is undoubtedly based on personal choice, however providing a large proportion of Ferrero products in individual packages, while respecting hygiene and security requirements, provides consumers with a clearer indication of portions and personal consumption.

This helps each consumer to achieve their own personal dietary and nutritional balance through the different meals and snacks consumed each day.

For example, products from the KINDER® brand, which have traditionally been intended for children and adolescents, continue to be produced in individual portions weighing between 5 g (5.8 g for KINDER® Schokobons) and 45 g (42 g for KINDER® Delice). This results in a contained caloric intake per portion, making the product versatile and suitable during meals or as a snack.

As shown in the graph below, **more than 70% of volumes of Ferrero products sold worldwide are sold in portions weighing less than 25 g and about 85% in portions weighing under 45 g.**

PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS\* PER PORTION, IN GRAMS<sup>1</sup>



\* percentage of products on the market worldwide in FY 2015/2016.

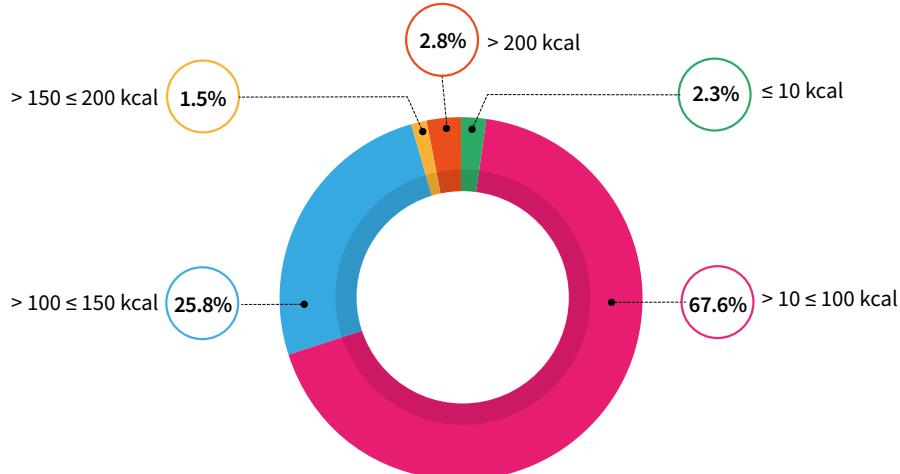
1. Regarding NUTELLA®, the data takes into account the 15 g portion indicated on packages in the majority of countries in which it is sold.

Furthermore, **about 70% of volumes of Ferrero products are sold in portions providing less than 100 kcal and over 95% of products are sold in portions providing less than 150 kcal.**



**>95%**  
OF VOLUMES OF FERRERO  
PRODUCTS ARE SOLD IN  
PORTIONS PROVIDING  
**<150 kcal**

#### PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS\* PER PORTION, KCAL



The graphs include all Ferrero products that are marketed around the world in FY 2015/2016, with the exclusion of special formats for yearly festivities, product mixes, mini or maxi and special editions, corresponding to around 3% of marketed volumes

\*percentage of products on the market worldwide in FY 2015/2016.

**Approximately 86% of Ferrero's products are sold in portions that contain less than or are equal to 130 kcal and the average caloric intake per portion of Ferrero products is less than 100 kcal.**

The 130 kcal limit allows consumers to eat Ferrero products at any occasion throughout the day, and still leave room for the consumption of other foods, such as fruit, milk and dairy products, cereals and wheat-based products, thus preserving the nutritional variety needed for a balanced diet.

This caloric limit preceded the confectionery industry's current trend in reducing product portion sizes, and in this respect, is a reference point for such industry trend.

## RESULTS OF OUR SCIENTIFIC ACTIVITY

Ferrero contributes to promoting good eating habits also through a **strong commitment to scientific research**. In addition, Ferrero remains committed to promoting breakfast to young people and moderate food consumption to all age groups.

Based on its corporate values, the Ferrero Group carried out and supported nutritional research projects in conjunction with several internationally recognized scientific institutes even in FY 2015/2016. Various university research groups were involved in Ferrero-sponsored research projects through unrestricted grants, thus maintaining the integrity of the research data and results whilst supporting the principle of impartiality as well as each institute's independence and researchers' intellectual freedom. The scientific research results were then presented at various conferences, congresses and workshops, and published in journals with an impact factor.

However, according to Ferrero's corporate policy, the majority of this data is used only internally or published independently by the authors of the studies in question.

The official list of research results presented in this edition of the CSR report is, therefore, only part of the scientific work that has been carried out in recent years by the Ferrero Group and includes the following scientific articles:

- Phillips, F. and Ruxton, C.H. "Scientific evidence and daily food for a better life: Milan, 19 June 2015". Public Health vol. 140:73-79 (2016).
- Magagna, F., Cordero C., Liberto E., Sgorbini B., Bicchi, C. "Black tea volatiles fingerprinting by two-dimensional com-

prehensive gas chromatography – mass spectrometry combined with high concentration capacity sample preparation techniques: toward a fully automated sensomic assessment". J of Food Chemistry (2017).

- Fattore, E. et al. "Effects of free sugars on blood pressure and lipids: a systematic review and meta-analysis of nutritional isoenergetic intervention trials". The America Journal of clinical nutrition (2016).
- Codella, R. et al. "Effect of Sugar versus Mixed Breakfast on Metabolic and Neuro-functional Responses in Healthy Individuals". Journal of Diabetes Research (2017).
- Adamo, M. et al. "Effects of hazelnuts and cocoa on vascular reactivity in healthy subjects: a randomised study". International Journal of Food Sciences and Nutrition (2017): 1-12.

## "NUTRITIONAL IDENTITY CARDS" OF FERRERO PRODUCTS

As mentioned in the previous reports, each Ferrero product has a "Nutritional Identity Card" that is used by employees internally. The Card summarizes the nutritional characteristics of each Ferrero product and its correct collocation in daily consumption: at breakfast, BMEE (Between Meal Eating Episodes) or at the end of a meal. The Card also provides an assessment of the metabolic response of each Ferrero product and, for some products, how the consumption of said product may affect attention and mood.

**More than 85% of the Ferrero products on the market in FY 2015/2016 had a "Nutritional Identity Card".**

Although a target was initially scheduled for FY 2015/2016, the Ferrero Group aims to finalise the Nutritional Identity Cards for its entire product portfolio in the coming years.



# FERRERO'S QUALITY POLICY

The Ferrero Group's Quality System guarantees a global presence through its central Quality Department and a number of local Quality Departments located at the Group's various commercial and manufacturing subsidiaries.

The central Quality Department supervises the entire value chain – from the raw materials used to the launch of the final product on the market. It works in close contact with local Quality Departments to define quality objectives and periodically monitor performance through a complex system of indicators and auditing procedures. Quality results are also published periodically in

a dedicated report, which is shared with all relevant departments and corporate management.

In order to have a uniform level of quality along the entire supply chain and in each Ferrero plant across the world, in FY 2016/2017 the "One Quality" project will be finalised, which will bring together all staff members dedicated to Quality assurance in each department.

## INNOVATION

Innovation is one of the main drivers of Ferrero's success: over the last 50 years, the Group has created **innovative products** that have become, over time, true icons of the chocolate confectionary sector.

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

The lead up to the market launch of a new product is a long and rigorous process: the phases of analysis, research and product testing precede product launches in preselected "test" markets, where consumers' appreciation of the new product is closely monitored. Only when the product successfully passes the numerous phases of testing does it undergo industrial production. Behind every new product, which may seem quite simple in the eyes of consumers, there is a unique, state-of-the-art patented technology which clearly demonstrates **the great passion Ferrero puts into the continual innovation of its products.**

## QUALITY AND FRESHNESS

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

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



For example, throughout the summer season, in certain geographic areas in which high temperatures may affect the organoleptic characteristics of a Ferrero product before it reaches the consumer, Ferrero will suspend the supply of these highly sensitive products, such as the Ferrero Rocher and Mon Chéri pralines, and in some cases, even pull these products from the market all together.

The Ferrero Group has also identified a "general list of flaws", according to perceived quality controls, for which all finished products on the market are checked.

Over the course of FY 2015/2016, **over one million quality controls were carried out at selected points-of-sale** across the globe to test finished products for freshness levels. During the checks, temperature data was also collected, and in over 300,000 of the checks carried out globally, specific quality and consumer tests were carried out to verify the true conditions that products on the shelves were exposed to at points-of-sale.



**>1,000,000**

QUALITY CHECKS IN  
THE POINTS-OF-SALE



QUALITY AND CONSUMER TESTS IN

**>300,000**

CHECKS

In order to evaluate even more effectively the true level of organoleptic quality perceived by consumers, a global project will be rolled out in FY 2016/2017 which will involve the taste tests of our products by a panel of selected tasters at our commercial partners' locations around the world.

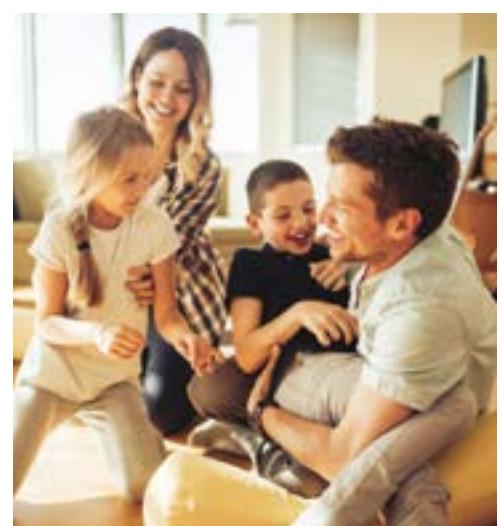




The Ferrero Group had previously declared its intent to set up a central consumer complaints centre in which consumer feedback is managed in an univocal and structured way, creating a worldwide database by 2015. This project is nearing completion and has involved all relevant departments. In particular, the IT Department has developed an implementation plan for all Business units in the corporate IT package, entitled GCC (Consumer Contact Management). By the end of August 2016, 98.6% of sales volumes in FY 2015/2016 were monitored centrally. All of these volumes were part of the Group's Consumer Contact Management System (GCC), while the remaining 1.4% was related to markets in developing countries.

As part of the Ferrero Group's Quality System, the centralized management of consumer complaints enables the coordinated management of complaints as well as the implementation of preventive and corrective actions aimed at avoiding repeated instances of non-compliance.

Moreover, it is the Ferrero Group's goal by 2020 to move from a central complaints monitoring system to the implementation of a Quality System based on a uniform set of definitions, procedures and operating methods applicable to all affiliates and companies of the Ferrero Group. The main objective of this shift is to implement a clearer definition of service standards regarding complaint management through the identification and monitoring of Key Performance Indicator (KPI) processes.



## PRODUCT TASTINGS AND ANALYSIS IN FERRERO PRODUCTION PLANTS

In order to ensure that products comply with Ferrero's high taste standards, in addition to the usual laboratory tests, **a sensory evaluation is also carried out** – which is defined as a "taste test" – to judge a product's taste, in all of its facets, as well as its aesthetic appearance and presentation.

Tasting and sensory evaluation activities include:

1. raw material taste tests, during the delivery phase;
2. taste tests of semi-finished and finished products from the production line, during the production phase;
3. management taste tests, carried out by the managers of production units;
4. "spider web" tests, carried out at the centralised product Observatory by a panel of selected tasters.

IN FY 2015/2016

**>17,000**



TASTE TESTS WERE CARRIED OUT GLOBALLY ON FERRERO ROCHER DURING THE PRODUCTION PHASE AND AT THE CENTRALISED PRODUCT OBSERVATORY

To further improve the taste tests of our manufactured products, in FY 2016/2017 the Ferrero Group will roll out a global project aimed at improving the skills of taste testers at production plants and the comparability of the results obtained from all production plants across the globe.

## THE ADVANCED STANDARDS OF OUR PRODUCTION PLANTS

In Ferrero production plants, a dedicated integrated global "SAP" system is used to guarantee an integrated software system, in which all data on Quality control processes are shared, integrated and managed centrally within the Group. At present, the system is operational in most Ferrero production plants across the world and enables the collection and processing of data in a global and co-ordinated way.

In particular, focusing on the processes within Ferrero's Quality model, the

system was implemented during FY 2015/2016 in three more plants (Ecuador, South Africa and the new plant in China), covering 20 out of 21 plants.

The Yaoundé plant (Cameroon) does not yet use the SAP system, however it is equipped with a Quality Management System (Fenice). Furthermore, a network of IT connections with the central Quality Management Department guarantees the efficient governance of all Quality controls and processes in all of the Group's production sites.

THE FERRERO GROUP IS EQUIPPED WITH A HIGHLY RIGOROUS QUALITY SYSTEM GUARANTEEING PRODUCT EXCELLENCE IN ALL OF ITS GLOBAL PRODUCTION SITES, THANKS ALSO TO A SERIES OF INTEGRATED AND SYSTEMATIC INSPECTIONS, WHICH ARE CARRIED OUT BY THE CENTRAL QUALITY MANAGEMENT DEPARTMENT AT EACH OF THE PRODUCTION SITES AND ALONG THE ENTIRE LOGISTICS CHAIN.

These inspections are carried out at all of the Group's plants, warehouses and contractor premises to verify the correct application of Ferrero's stringent standards on the product, food safety and the Quality Management System.

The Quality of production processes carried out by Ferrero's contractors is guaranteed also through an integrated monitoring system, referred to as "continuous management", which was launched in FY 2015/2016.

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



To ensure the effectiveness of the complex Ferrero Quality System, all Ferrero production sites have been subject to internationally recognised Quality certification by an accredited third party. The international standard for Quality Management System certification that Ferrero uses is the ISO 9001 standard.

In 2016, the Group succeeded in including **all its production sites in the ISO 9001:2008 Group certification**, well before its initial target of 2020. Even the Yaoundé plant (Cameroon) and the new Hangzhou plant (China) obtained this ISO certification in September 2016. It should also be noted that within the scope of ISO 9001 certification, in the first months of 2017, a single manual containing the Group's quality rules and procedures was shared among all production sites, in advance of the declared target.

The Ferrero Group hereby confirms its intention to align all of its production sites to the updated ISO 9001:2015 standard.

Regarding its Food Safety Management System, the international standard implemented by the Group is the FSSC 22000 certification, which was also obtained by the new production plant in Hangzhou (China) in January 2017.

The Group's objective to extend this certification standard to the Michele Ferrero Entrepreneurial Project by 2016 has been postponed to 2018. In January 2017, the production site in Walkerville (South Africa) also obtained FSSC 22000 certification, while the Group expects to implement said certification in Cameroon by 2018.

As part of a continuous process of adaptation, Ferrero promptly activates the certification procedure according to the two international standards, referenced above, for each new production plant. In addition, other certified management standards are required locally, market demands (for example, IFS) or governmental policy requirements.

To further strengthen the concept of a "Professional Quality family", an annual Quality Convention is held, attended by all colleagues involved in production Quality, commercial Quality and the central Quality Management unit. The main objective of the event is to strengthen the concept of "Group Quality" through three days of sharing of ideas, problems and best practices. More than 60 Ferrero colleagues working throughout the world attend this convention.



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## RESULTS OF EXTERNAL AUDITS

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### **ISO 9001:2008 - Certification of the Ferrero Quality Management System**

Within the framework of ISO 9001 certification, 10 audits were carried out by external certification bodies in FY 2015/2016 at the production sites of Pozzuolo Martesana (Italy); Belsk (Poland); Cork (Ireland); Baramati (India); Poços de Caldas (Brazil); Quito (Ecuador); San José Iturbide (Mexico); Manisa (Turkey); Hangzhou (China); and the company headquarters in Luxembourg. Overall, the external audit results are positive, with no site resulting in any major "non-conformity" issues.

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

Regarding the framework of FSSC 22000 certification, all of the certified production plants in the Group were audited in FY 2015/2016 to verify compliance with this standard. The overall outcome was positive, with no major "non-conformity" issues found at any of the production sites.

## IFS - International Food Standard

Audits were carried out in FY 2015/2016 to verify compliance with the IFS standard at production sites in Alba, Arlon, Belsk, Cork and Stadtallendorf. The audits resulted in a high level of compliance, called "Higher Level," with an average score of over 97%.

## TRACEABILITY AND SECURITY OF RAW MATERIALS

Since its establishment, Ferrero has paid careful attention to the selection of raw materials and ingredients.

It is in fact the **quality and freshness** of the raw materials and ingredients selected that determine the particular organoleptic characteristics of Ferrero's products. For this very reason, Ferrero has developed innovative internal procedures to ensure freshness and quality, such as the so-called "sacco conosciuto" – a phrase that refers to all of the procedures carried out by Ferrero's specialized food technicians, such as organoleptic controls and analysis, supplier inspections, food safety practices and to guarantee the traceability of the raw materials.

**ALL OF FERRERO'S GLOBAL SUPPLIERS ARE SELECTED AND EVALUATED USING AN UNIVOCAL SET OF CRITERIA, THROUGH AN ELECTRONIC PLATFORM THAT CONNECTS THEM WITH OUR EXPERT FOOD TECHNOLOGISTS.**

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

Upon acceptance at the plant, a specific internal Group protocol, which is in line with modern standards of risk analysis, defines the type and frequency of the chemical-physical, microbiological and organoleptic controls that must be performed on samples from incoming supplies.

IN FY 2015/2016



**>600,700**

RAW MATERIAL CONTROLS AND ANALYSIS<sup>2</sup>  
IN 20 GROUP PRODUCTION PLANTS

**>1,400,000**

CONTROLS PERFORMED ON PRIMARY<sup>3</sup>  
AND SECONDARY PACKAGING, IN ADDITION  
TO THE CONTROLS ON SEMI-FINISHED  
AND FINISHED PRODUCTS

2. Include chemical, chemical-physical and microbiological tests.

3. Include organoleptic tests and defect detection tests.

# RESPONSIBLE COMMUNICATION

**F**or a company, being socially responsible means voluntarily adopting practices and behaviours that go beyond legal requirements. For Ferrero, this means **adopting a series of self-regulation systems, in particular in relation to nutrition labelling and advertising**, and being part of programmes that promote physical exercise and good eating habits. At Ferrero we think that these steps will lead to tangible benefits for the social context in which the company operates.

Ferrero supports the notion that responsible commercial communications can assist consumers in making appropriate choices about food and beverage products, as well as in understanding the role of nutrition, diet and physical activity in order to achieve a globally healthy and active lifestyle. By conveying commercial communications that are consistent with the principles of good nutrition, balanced diet, physical activity and personal choice, industry can play an important role.

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

Ferrero deeply believes that an effective self-regulation of commercial communications provides a valuable framework

to **best serve the consumer's interest in receiving truthful and accurate communications**. This is why Ferrero is an active player in the self-regulatory process at a national, as well as an international level. In particular, Ferrero is a member of:

- the International Food & Beverage Alliance (IFBA) ([www.ifballiance.org](http://www.ifballiance.org)), through which world's leading food companies commit to promote self-regulation programmes regarding formulation and portioning of food, nutrition information to consumers, responsible advertising and physical exercise;
- the World Federation of Advertisers (WFA) ([www.wfanet.org/en](http://www.wfanet.org/en)), an international organisation which promotes good and efficient practices in relation to responsible advertising.

Together with other companies, Ferrero is part of a number of self-regulatory initiatives, including:

- responsible advertising aimed at children (EU Pledge: [www.eu-pledge.eu](http://www.eu-pledge.eu));
- the promotion of fair practices along the food supply chain ([www.supplychaininitiative.eu](http://www.supplychaininitiative.eu)).

As of 2006, in the framework of the European Platform on diet, physical activity and health, chaired by the European Commission, **Ferrero made a series of commitments on healthy lifestyles**, in particular concerning: nutrition labelling, responsible advertising and the promotion of physical activity, through its Kinder+Sport programme as well as by supporting national EPODE-based programmes in selected countries.



## MONITORING COMMITMENTS

In order to reinforce the credibility of its commitments, each year, Ferrero is subject to **certified monitoring by external third-party organisations**.

### ADVERTISING MONITORING

#### AT A GLOBAL LEVEL

At a global level, Ferrero applies the "IFBA Global Policy on Advertising and Marketing Communications to Children", according to which **the Group does not advertise its food products through TV, print and Internet to audiences primarily composed of children under the age of 12**.

During 2016, Ferrero worked with IFBA to develop a new monitoring system with a reinforced focus on digital, given its growing importance in marketing for consumers and companies. Such new approach will become operational in 2017 and will be based on a closer cooperation with local self-regulatory organizations that enforce advertising standards in a globally representative sample of key markets. In order to have a global view on how companies are performing in terms of compliance with the IFBA policy, the self-regulatory organizations will independently monitor companies' digital advertising, looking at both placement and content.

In the course of 2016 and 2017, Ferrero signed stricter local advertising pledges in key markets such as Brazil, India and Gulf Cooperation Council (GCC). Such local pledges aim at reinforcing the application of the general IFBA Policy by also including companies operating at a local level.

**During 2016, Ferrero actively worked on implementing the IFBA "Enhanced Commitments"**, enlarging the application of the policy by the end of 2016 to all media: TV, radio, print, cinema, online, DVD/CD-ROM, direct marketing, product placement, interactive games, outdoor marketing, mobile and SMS marketing. In addition, where no reliable audience measurement data is available, the overall impression of the marketing communication is also considered, to ensure that its content is not designed to appeal primarily to children under 12.

## AT A EUROPEAN LEVEL

In Europe, Ferrero takes part in the EU Pledge initiative, which fosters **a responsible approach to food product advertising to children under the age of 12 on TV and print media, as well as on the Internet.**

The commitments were subject to an annual monitoring programme carried out by two external organisations:

- **Accenture Media Management<sup>4</sup>** monitored television advertising broadcast in the following eight European countries: France, Germany, Hungary, Italy, Estonia, Poland, Portugal and Spain;

- **The European Advertising Standards Alliance (EASA)<sup>5</sup>** monitored the websites of EU Pledge signatories through the evaluations carried out by the national organisations for advertising self-regulation in the following 10 European countries: Czech Republic, France, Germany, Italy, Lithuania, The Netherlands, Poland, Spain, Sweden and United Kingdom.

The overall compliance rate for television advertising by signatories to the EU Pledge remained substantially unchanged (98.7% versus 98.6%).

In relation to website monitoring, this year a total of 250 sites were checked and the overall compliance rate was 95%.

In line with its advertising principles (<https://www.ferrero.com/social-responsibility/ferrero-advertising-and-marketing-principles/responsible-advertising-marketing>):



IN EUROPE FERRERO DOES NOT  
ADVERTISE ANY FOOD PRODUCTS  
TO CHILDREN UNDER THE

**AGE OF 12**

The Group conducted an intense coordination activity with the various teams involved in the topic of responsible advertising (marketing/legal/media planning/business units), to continue to ensure the highest possible level of compliance.

Internal guidelines on responsible advertising and the “Marketing to children road test” were presented internally. The “Marketing to children road test” was developed with the support of the World Federation of Advertisers. The tool is available internally to help ensuring a high degree of compliance with the EU Pledge.

With regard to television advertising, **Ferrero's individual compliance rates** for 2016 were: Poland 98,4%, Hungary 99,7%, Germany 99,9%, France 99,8%, Italy 99,5%, Estonia 96,9%, Portugal 99,6%, Spain 99,5%.

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

Of the 26 websites analysed, only one was found to be non-compliant with the EU Pledge. Corrective actions were immediately implemented. In addition, the internal guidelines on responsible advertising were updated according to the results of the 2016 EASA monitoring.

4. The data presented in the Accenture Media Management report refers to the first quarter of 2016.

5. The data presented in the Accenture Media Management report refers to September and October 2016.

## EU PLATFORM FOR DIET, PHYSICAL ACTIVITY AND HEALTH

With regard to Ferrero's involvement in the EU Platform, **the Group is committed to presenting an annual monitoring report** covering each of the commitments made on: product formulation and portion sizes, nutrition information and food education, promotion of physical activity and responsible advertising communications. Such monitoring reports are assessed each year by an external body appointed by the European Commission.

The 2015 monitoring reports of the commitments Ferrero made in the context of the Platform were assessed with the following results:

- “Promotion of physical activity”: not satisfactory (due to limited information on the initial actions);
- “Media literacy & responsible advertising to children”: satisfactory (an improvement from the previous year);
- “Product formulation and portion sizes”: not satisfactory (insufficient details provided on initial data and activities to demonstrate full implementation);
- “EPODE (Ensemble Prévenons l'Obésité Des Enfants) / EEN (European Epode Network)": satisfactory.



## THE LABELS SPEAK FOR THEMSELVES

In compliance with the current legislation applicable in the different countries, **Ferrero provides consumers with accurate and transparent nutrition information** on the back of pack.

### IN ADDITION TO THE REQUIREMENTS OF THE LAWS OF EACH COUNTRY, FERRERO PROVIDES ADDITIONAL NUTRITION INFORMATION ON THE FRONT OF PACK, TO HELP CONSUMERS GET A CLEARER UNDERSTANDING OF LABELS.

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

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

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

More specifically this information includes:

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



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

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

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

Image 1



Image 2



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



# EPODE PROGRAMME

The European Commission has formally recognised the importance of socially valuable public-private partnerships and **identified EPODE as a best practice model to be replicated in other EU countries**, as it joins together all the actors involved in combating obesity – the scientific community, industry and local authorities and communities – making it possible to identify the specific actions that need to be taken and thereby having a real impact on the community.

Ferrero has been a partner of the EPODE (Ensemble Prévenons l'Obésité Des Enfants) programme and of the EEN (European Epode Network) since 2007. Within the framework of the EEN network, in 2016 Ferrero continued to participate in national EPODE projects in the following European countries:

- France: programme **Vivons en forme** (VIF). In 2016, the programme focused on the theme "sleep and well-being" with the objectives of training teachers, nurses, project managers, while at the same time developing tools to communicate on those themes to children in schools. In addition, 250 municipalities were involved in the programme, reaching 100,000 children.

- Belgium: programme **Viasano**. In 2016, the programme's objective was to facilitate the healthy choice for families in order to prevent childhood obesity.

- The Netherlands: programme **JOGG**. Its objective is to help municipalities and local stakeholders to raise awareness with regards to nutrition, sports and exercise. In 2016, the number of municipalities participating in the program increased from 91 to 114, reaching more than 600,000 children. In addition, 982 Sports clubs participated in the programme "Healthy Sports Canteen".

FERRERO'S CONTRIBUTION IN	PROGRAMME	CITIES	YEAR	EUROS
France	Vivons en Forme ( <a href="http://www.vivons-en-forme.org">www.vivons-en-forme.org</a> )	250 towns	2016	250,000
Belgium	Viasano ( <a href="http://www.viasano.be">www.viasano.be</a> )	18 towns	2016	80,000
The Netherlands (Breda)	JOGG ( <a href="http://www.jongerenopgezondgewicht.nl">www.jongerenopgezondgewicht.nl</a> )	114 towns (Ferrero is only involved in Breda)	2016	20,000

# KINDER SURPRISE COMPANY

## THE STORY OF OUR SURPRISES

**F**or over 40 years, Ferrero's KINDER® products have been contributing to the **happy growth of children of all ages** generating daily moments of intense emotion.

Throughout this time the creation process of the surprises has evolved, while maintaining the same commitment to create safe and innovative products and striving to improve all the time.

The Kinder Surprise Company (KSC) is a division of the Ferrero Group and is dedicated to developing and creating small KINDER® toys, whose features and playability need to be developed and optimized specifically for the miniature size of the KINDER® world.

## KIDS AND THE VALUE OF PLAY



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

Both kids and parents search for moments of socialising and sharing through the joy of playing together. This need explains the challenge for Ferrero to always provide new surprises and games to enable them to interact and create an emotional bond between them.

Kids are our future, that is why the Ferrero Group strongly believes that **a happy child today will be a better adult tomorrow**.

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

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

ACCORDING TO THIS VISION, THE OBJECTIVE OF FERRERO'S KINDER® PRODUCTS IS TO CREATE THE MOST WONDERFUL PLAYING EXPERIENCE IN A SURPRISINGLY SMALL FORMAT THAT GENERATES GREAT EMOTIONS.

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

### **ART. 31 OF THE UNITED NATIONS CONVENTION ON THE RIGHTS OF THE CHILD**

Resolution 44/25 of November 20, 1989

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

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

For all these reasons, there are some basic features that the surprises must have:

- **The excitement of opening the egg:** discovering the product and trying to guess what is inside create emotions that stimulate the child's imagination every time.
- **Playability:** assembling the surprise stimulates imagination, logical reasoning and motor skills. The toy engages the child immediately, offering the chance to play with it in several different ways.

• **Interaction with other children and with parents:** the nature of the play experience offered encourages the child to socialize and creates happy moments of sharing.



## THE PRINCIPLES THAT GUIDE THE CREATIVE DEVELOPMENT

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

1. Improving the child's ability
2. Variety
3. A 360° experience
4. Universality

### 1. IMPROVING THE CHILD'S ABILITY

KINDER® toys are designed to encourage the development of certain specific attitudes of the child.

More specifically:

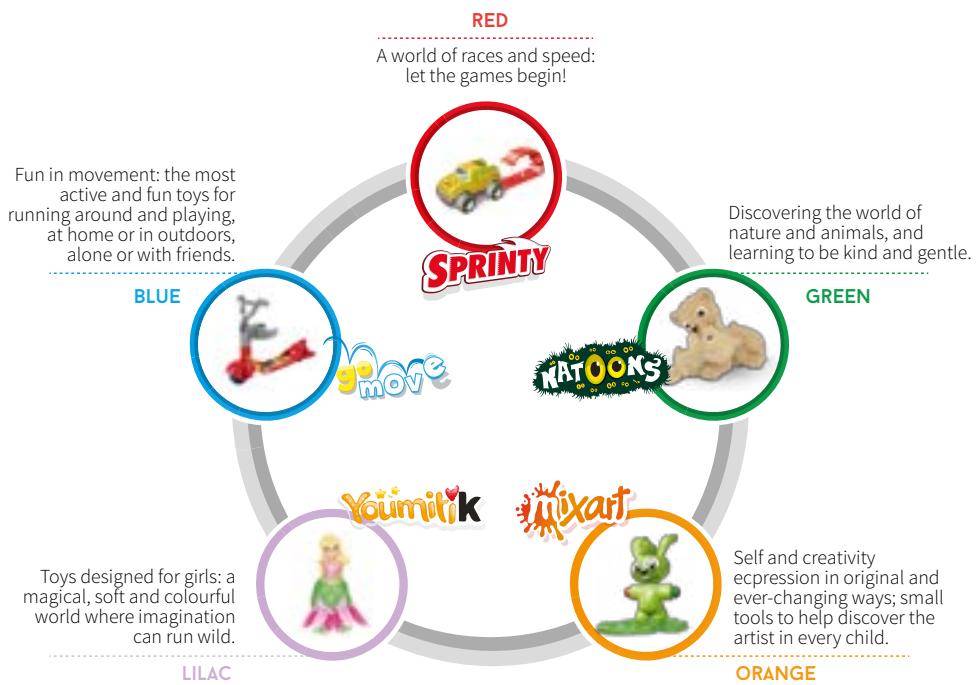
<b>COGNITIVE DEVELOPMENT</b>	The process of assembling the toys stimulates logical thinking and putting actions into a sequence, developing both problem-solving skills and curiosity.
<b>EMOTIONAL DEVELOPMENT</b>	The satisfaction achieved by reaching a goal (assembling a toy) and by interacting with small toys designed to appeal to children and stimulate creativity.
<b>RELATIONAL DEVELOPMENT</b>	Interaction with friends and family, encouraged by the surprise toys, helps children socialize and live happy experiences with others.
<b>MOTOR DEVELOPMENT</b>	Assembling the toy requires good eye-hand coordination and stimulates the imagination, logic and manual skills.

### 2. VARIETY

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

The strategy of the “playability areas” has been created with the aim of increasing the relevance of each surprise. Over the years, the Marketing and Innovation Department has identified different reference areas around which the assortment has to be defined, in order to respect a precise variety of surprises within the assortment.

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



### 3. A 360° EXPERIENCE

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

The dialogue with consumers is becoming more and more important and, for this reason, more structured. There is the necessity to create a contact with them also before and after the purchase moment.

The leaflet, which always accompanies the toy, illustrates play activities and provides story ideas to enrich and extend the play.

By scanning the QR code on it, which is created for each surprise, kids are able to open up exciting storytelling, connect and share the possibilities by extending the physical experience into the digital space in the Magic Kinder App.



## 4. UNIVERSALITY

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

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



## PHASES OF THE SURPRISES DEVELOPMENT

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

### 1. MARKETING STRATEGY

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

Each surprise comes from specific analysis based on different aspects of children's everyday life:

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

Starting from these results, the Internal Marketing and Innovation Department begins to define a group of features that the surprises will need to have, in order to develop a strategy and related valuable and efficient assortment.

During this phase it is important to also consider all the different needs connected with different geographical areas (such as cultural and religious aspects), in order to create an assortment which can reflect the international trends while still respecting the local traditions.

## 2. CREATIVE PHASE: FIRST IDEAS AND ANALYSIS

In this phase, the idea is transformed into a design, with its own playability. These designs form the basis for creating a 3D prototype bringing the idea to life by using various CAD programs.

During this process the Design Team also takes into account the following aspects:

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

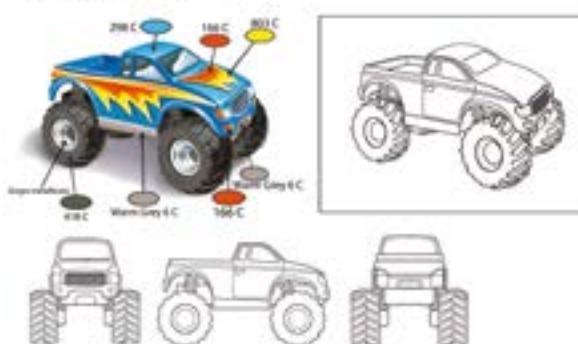
Since the safety-oriented design is one of the pillars of the surprise development, each surprise has to comply with guidelines, which are translated into specific precautions related to the dimension, shape and morphology of the toys.

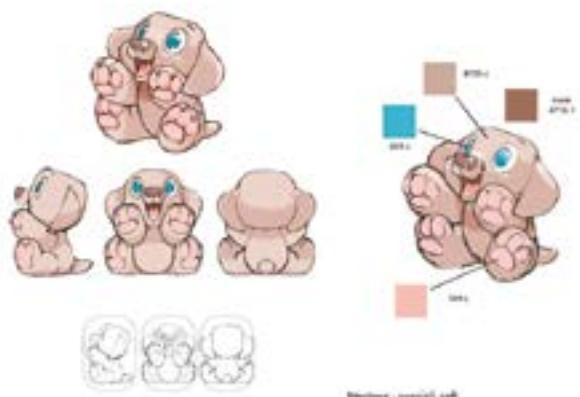
These precautions are:

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



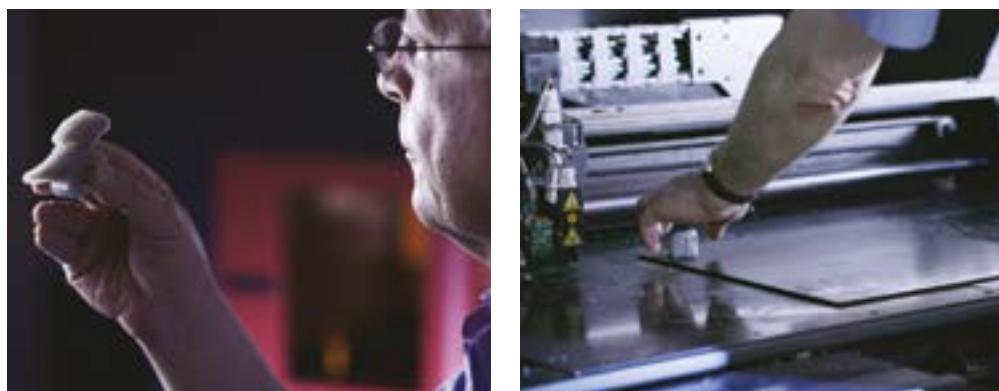
Monster jam 1





### 3. DESIGN PROTOTYPES AND PRE-EVALUATIONS

Via 3D printers the physical prototype is created.



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

#### Safety Assessment:

During the design phase, Ferrero carries out an extended preventive safety assessment for each prototype; it means that it needs to pass some pre-evaluation tests in order to continue its path towards industrialization. This assessment is performed with the assistance of some experts (accredited labs mainly) and it consists of checking whether the toys comply with the international regulations and with the Ferrero Toys Safety Code and whether the surprises present other additional risks.

#### Medical check:

A dedicated working group has the task of analysing and evaluating whether all aspects of the prototype comply with various additional requirements, established from a medical point of view. This team is always composed of the project manager, the Quality Team, the Design Team, the Legal Team and by the ENT medical specialist (ear, nose and throat specialist).

Over the years, this way of working has created an accurate list of features that are considered guidelines of the analysis. If some changes are needed, this team also verifies that these will not spoil the

surprise aesthetically or negate its playability; alternatively, they can also decide to abandon that specific toy concept.

#### **Age grading evaluation:**

Age Grading is the determination of the appropriate age of children for whom a toy is intended, based on developmental psychological studies and current Legal References<sup>6</sup>.



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

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

The full compliance of KINDER® toys with these guidelines is aimed to make sure that they match the age limit (3 years) of the small part warning. This is the right way to guarantee the effectiveness of the warning itself.

The Quality Department is involved in all of these tests.

Ferrero takes particular care to inform consumers that KINDER® toys are forbidden for use by children under the age of 3 and that, to ensure the observance of this prohibition, supervision by adults is recommended. A specific warning in compliance with the toy safety directive 2009/48/CE informs parents in a clear and legible form.

This warning is always extremely prominent and visible.

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

## 4. RESEARCHES ON KIDS AND MUMS

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

Usually, two different approaches are used:

### 1. Quantitative approach, to evaluate:

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

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

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

### 2. Qualitative approach, to evaluate:

- the overall appreciation of the surprise range and of each surprise;
- insights into possible optimization and further development.

Ferrero usually relies on a focus group methodology.

From about 9,000 interviews around Europe, Asia Pacific and Latin America, Ferrero collected all the opinions regarding a specific group of new subjects in order to select the best projects among the 800 proposed every year.

## 5. CERTIFICATIONS AND VOLUNTARY TESTS

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

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



These requirements are:

**a) INTERNATIONAL CERTIFICATIONS:**

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

**b) VOLUNTARY TESTS**

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

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

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

**The application of all of these rules therefore guarantees that the toy and all its parts are safe and robust.**



TESTS REGARDING SAFETY AND QUALITY OF  
TOYS COMPARED TO THE 38 TESTS REQUIRED  
BY INTERNATIONAL REGULATIONS



**SURPRISE TOY DESIGNED USING HIGHLY DURABLE MATERIAL AS PP AND ABS WOULD NOT PASS THE MECHANICAL TEST.**

## **MECHANICAL, PHYSICAL AND FLAMEPROOF TESTS**

### **EN 71-1 AND 2 AND ISO 8124-1 AND 2 TESTS: AS REQUESTED BY REGULATIONS.**

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

**EN 71-2:** Flameproof tests.

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

**ISO 8124-2:** Flameproof tests.

### **Additional tests**

The Kinder Surprise Company applies much more stringent voluntary tests to guarantee a toy's safety. No breakage of any kind, however partial, is tolerated.

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

Also, when applicable:

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

.....  
**ONLY IF ALL THESE TESTS PRODUCE A PASS RESULT WILL THE TOY BE JUDGED AS CONFORMING, AND THEREFORE BE APPROVED FOR MANUFACTURE.**  
.....

## CHEMICAL TESTS

### EN 71 AND ISO 8124 TESTS: AS REQUESTED BY REGULATIONS.

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

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

#### Additional test

In addition, the Kinder Surprise Company voluntarily applies a series of extra chemical tests on all toys and particular requirements or limits applicable in certain countries, or not mentioned in EN 71 and ISO 8124, for example:

Chile: toluene limits.

Japan: food law.

Canada: cellulose nitrate limits.

.....  
**ONLY IF ALL THESE TESTS PRODUCE A PASS RESULT WILL THE TOY BE JUDGED AS CONFORMING, AND THEREFORE BE APPROVED FOR MANUFACTURE.**  
.....

## c) LOCAL CERTIFICATIONS

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



## THE KINDER® SURPRISE CAPSULE

The design of the current single-piece capsule that contains the toy is safer than the previous capsule (made of two pieces) and it was introduced in 2007 from Ferrero Group.

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

As proof of this strength and durability, during production it is subjected to specific destructive tests on a daily basis.

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

According to EN 71-1:2005 and ISO 8124:2000 the one-piece capsule undergo different tests:

- **Tension tests:** ensures that the plastic tongue that holds the two parts together does not break when subjected to a traction of 150 N (about 15 kg).

- **Rotation tests:** the capsule is subjected to a certain number of clockwise and anticlockwise rotations and it is considered to have passed only if there is no separation of the bottom from the top.

The safety of the single-piece capsule has been certified by a qualified team of internationally renowned doctors. Moreover, it has been recognized as a worldwide reference model for the safety of the category.

The material used is specifically formulated for this capsule and it is supplied from the same plant to all capsule manufacturers; it complies with international food contact regulations of the countries where the product is sold.

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



## 6. PRODUCTION AND QUALITY CHECKS



In addition to the stable growth of the European production centers, Ferrero has invested in a geographical decentralization, which has also permitted the contribution to the progress of some emerging areas.

**BESIDES CHECKING THE TOYS, FERRERO ALSO CARRIES OUT PERIODIC ETHICAL AND SAFETY AUDITS ON THE SUPPLIERS' COMPANIES, WHICH ARE MAINLY DISTRIBUTED IN EUROPE, CHINA AND INDIA.**

Ferrero's Group relations with emerging countries are inspired by the principles "train and build", which means transferring 40 years of corporate experience and building a relationship based on knowledge, exchange and growth. What's more, constantly striving for technological advances in production processes contributes to the growth of industrial expertise.

### EXAMPLE OF AN INNOVATIVE PRODUCTION PROCESS

#### BEFORE

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



## AFTER

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

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



Ferrero's Quality Department carries out ongoing quality controls during the entire toy manufacture process, using extremely precise guidelines inspired by the most progressive industry practices:

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

The production of each surprise continues only if the periodic checks show that all safety and quality requirements continue to be respected.

The Ferrero Group has devised and implemented a **Code of Conduct for suppliers around the world** on the ethical and environmental aspects of manufacturing surprise toys. This makes it possible to both **Maintain the desired high qualitative standards** and keep sharing the transfer of know-how and skills to the Group's suppliers.

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

## SUMMARY OF THE ETHICAL, SOCIAL AND ENVIRONMENTAL REQUIREMENTS FOR SUPPLIERS OF KINDER® TOYS

- Manufacturers of surprise toys undergo a strict audit aimed at verifying that they respect the fundamental rights set out in the Code of Conduct.
- Child labor is not permitted.
- Production plants, the work environment and services (canteen, sleeping facilities and lavatories) must comply with all the local regulations on hygiene in the workplace and accident prevention.
- Employees have the right to form a trade union or to join an existing one and to freely elect their representatives.
- No employee can be discriminated against on the grounds of race, nationality, religion, disability, gender, age, sexual orientation, trade union membership or political affiliations. The disciplinary actions must comply with local regulations.
- All employees must be guaranteed a salary of at least the minimum wage (local or national), both for normal hours work and for overtime. Overtime must be regulated in line with local regulations and practices.
- Manufacturers of surprise toys must respect national and local environmental legislation on preventing pollution and managing chemical substances and waste.

Ferrero has developed a program to assess the level of implementation of the Code of Conduct, appointing two third party bodies (SGS and UL) to inspect KINDER® toy manufacturers to ensure the ethical requirements are applied and complied with, as these are the core values.



**THE INSPECTIONS CARRIED OUT BY THESE BODIES CONFIRM THAT THE TREND OF SURPRISE MANUFACTURERS IS ALIGNED WITH THE ESSENTIAL SPIRIT AND PRINCIPLES OF OUR CODE OF CONDUCT AND THAT NO "NON-COMPLIANCE" ISSUES OCCURRED REGARDING THE RESPECT OF HUMAN RIGHTS AND OTHER FUNDAMENTAL CONTENT OF THIS CODE. IN ADDITION, CHILD LABOUR IS NEVER USED, IN NO CASES AND FOR NO REASON.**

All this is highly reassuring with regard to compliance with working conditions by KINDER® toy suppliers and allows Ferrero to honor specific commitments made to its licensors that are particularly sensitive to ethical issues.

## 7. RESPONSIBLE MARKETING

Important choices have also been made in terms of communication, and particularly:

### Compliance with the IFBA Policy

Ferrero has always believed in the crucial role played by parents in the education of their children with regard to a balanced diet and healthy, active lifestyles. For this reason, advertisements and commercial communications relating to our products are directed, in terms of content and in the purchase of advertising space, mainly at adults who choose which food to buy for their family and to children over the age of 12.

Ferrero believes that **particular attention should be paid to advertising communications aimed mainly at children**, particularly in cases when it is more likely that they will be exposed to

such communications without the supervision of their parents.

In line with these considerations, Ferrero adheres to the "IFBA Global Policy on Advertising and Marketing to Children" defined by the International Food & Beverage Alliance (IFBA) in Brussels.

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



## THE MAGIC KINDER APP

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

The aim is to extend the experience of the toy surprises within a totally safe environment that is always EU Pledge compliant, as food products are never shown in the app.

Furthermore, this year Magic Kinder received a certification by independent auditor KidSafe to confirm that the application is COPPA+ compliant. Magic Kinder therefore needs to adhere to various rules set out by the American Trade Commission in how children's data is managed and stored.

The Magic Kinder app is globally available (with the exception of eight countries only), translated in 13 languages and contains 6 formats (The surprises collection, Play & learn, Watch videos, Read stories, Draw & paint and Discover the planet) offering content that is always educational and/or helps families to have fun moments together. This is offered through a fun, interactive and multi-device interface to stimulate imagination and creativity.

The app can be downloaded from the Apple Store and Google Play and is also available on Apple TV.

Learn more at [www.magic.kinder](http://www.magic.kinder) where a huge amount of videos and games can also be accessed without the need to download the application.



# THE FERRERO FOUNDATION

**E**stablished in 1983 as a Social Enterprise by Michele Ferrero, holder of the Order of Merit for Labour of the Italian Republic, the Ferrero Foundation was named after Michele Ferrero's parents and uncle, the founders of the confectionary company. Since its inception, the Foundation has been chaired by Mrs Maria Franca Ferrero and has been

based in Alba, in the province of Cuneo, not far from the Ferrero factory. In 1991, it was formally recognized as a Foundation by the Italian Interior Ministry and, in 2005, its important social role was celebrated by the then-President of the Italian Republic, who awarded Mrs Ferrero with the Gold Medal for her work in support of education, culture and the arts.

*“Ever since I started working, I understood the irreplaceable role of my colleagues, who devote so much of their lives, with commitment and loyalty, to one company [...] and I came to realise that the Ferrero Group needed to make a human and financial effort to thank its elderly employees and, in particular, its retirees, offering them a physical space that could become a vital and long-lasting activity centre, while satisfying both their material and moral needs.”*

**Michele Ferrero**



Michele Ferrero made this statement in 1983 with the idea of creating and donating a charitable Foundation that would be dedicated to supporting Ferrero's "elderly", i.e. employees in service or in retirement, "who have been employed for at least 25 years on a continuous basis, as stated in the Staff Regulations".

**At the heart of the services offered by the Foundation lies the importance of improving the quality of life of the elderly, through activities to cultivate social interactions, relations, commitment and knowledge.**

Through its many activities, the Foundation helps former employees view this phase of life as a chance to take part in new opportunities and enhance the social life of each individual.

The Foundation activities embrace the ideals of social solidarity and culture, and they culminate in the motto "**Work, Create, Donate**", which is also written in the symbol of the Foundation.

**Work:** the commitment, dedication and experiences of those involved in the Foundation are used to brainstorm new ideas and projects.

**Create:** the activities organized must be innovative and new, thus forging new paths to create new values and experiences, and not be simple repetitions of previous experiences.

**Donate:** the wealth that is produced and generated must be considered a gift, both by those who help produce it through their work and commitment as well as by the society at large, which benefits from it.

In accordance with the ethical principles of the Ferrero family, the Foundation is an important reference point for all of the Group's entities.

It was a model for both the Ferrero Opera Sociale in Stadtallendorf, Germany, which was established in 2008, as well as for all of the initiatives supported by Ferrero France in 2005 for employees, the elderly and children, including the "Social unit", day care services, the Mini Club, summer colonies, school attendance programmes and scholarships. With its activities and experience of over 30 years, **the Ferrero Foundation is also a model for the "Michele Ferrero Entrepreneurial Project"**, based in Africa and Asia.

It is with this spirit that the activities of the Ferrero Foundation have been organized for more than 30 years.

The philosophy and structure of the Foundation have been extensively described in previous CSR reports of the Ferrero Group (available at [www.ferrocsr.com](http://www.ferrocsr.com)).

## SOCIAL PROJECTS

The Foundation offers retired colleagues varied opportunities to take part in healthcare, medical, and social activities, allowing them to engage in physical and recreational, cultural and relational activities that also have a positive impact on local communities.

There are about **40 different groups of activities** in which former employees can participate, including workshops and courses in tailoring, ceramics, photography, embroidery, the Internet, foreign languages, drawing and painting.

Other activities organized include nature tours and day trips, singing and choir activities, intergenerational activities that bring together grandparents and grandchildren, meetings with chefs, pastry lessons and more.

**Ferrero's retired employees provide support and collaboration to the Ferrero Foundation's many cultural projects**, which have become increasingly frequent and articulated in the last few years: during art and culture exhibitions, they may provide visitors with information, surveillance services and bookshop management. Volunteer activities are varied and frequent, and they often provide a helping hand to the sick and needy.



THERE ARE ABOUT  
**40** DIFFERENT GROUPS  
OF ACTIVITIES IN THE  
FOUNDATION

## MEDICAL AND HEALTH ASSISTANCE

During 2016, **515 medical visits** were carried out for retired Ferrero employees and their spouses in Alba and the surrounding area. Additionally, the medical clinic conducted a total of **1,112 medical visits**, including check-ups on Ferrero's retired employees and their spouses who participated in physical activities of the Foundation

as well as specialist visits with diabetologists and neurologists.



Thanks to the commitment of a group of **volunteer nurses**, the Foundation's nursing service guaranteed the following services last year: blood pressure monitoring, intramuscular and subcutaneous injections, electrocardiograms, glycaemia testing and medical dressings. Through 2016, the nursing service performed **3,045 procedures**. Medical services in podology, foot care and osteopathy were also offered. In addition to the well-established **physical and recreational courses** organized, in 2016 the Foundation also organized a **nordic walking** course and a **pilates** course, which were available to all Ferrero's retired employees. During the year, **19,549 retirees** attended courses.

The screening programme for the **early prevention and early diagnosis of age-related macular degeneration**, organized in collaboration with the Macula Foundation of Genoa, continues to provide great health prevention benefits. During 2016, **103 visits** were conducted and **1,530 Ferrero's retired employees** have participated in screenings since 2005.

A research project carried out in collaboration with the ASL CN2 Alba-Bra has also continued with much success. The project is a prospective observational study that aims to gain deeper understanding on whether patients offered supplementary medical services have greater health benefits compared to the general population. In addition to this study, the Foundation has embarked on a second research study, in collaboration with the Catholic University of the Sacred Heart of Milan and the Policlinico Gemelli of Rome.

## HOME-BASED MEDICAL AND HEALTH ASSISTANCE AND MEDICAL LABORATORY

The Foundation manages a **home-based healthcare service** for retired and elderly Ferrero employees and their spouses, who are residents in Alba and the surrounding area. The goal is to collaborate with family members and the treating physician in all medical cases in which a Ferrero's retired employee needs healthcare support within the home. This service integrates (but does not replace) with the existing ADI (Integrated Domestic Support) service provided by the public healthcare system, offered by the ASL CN2. Thanks to the presence of a group of volunteers and a dedicated vehicle, a professional registered nurse travels to the patient's home. This is the first step in creating a strong network of professionals, comprised of members from the medical and nursing services department of the Foundation, the treating physician and the patient's caregiver(s).

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

In 2016, **556 home visits** and **664 blood tests** were carried out.



**556**

HOME  
VISITS



**664**

BLOOD  
TESTS

## RELIEF DAY

**Ferrero's retired employees and their spouses who need help or company because they are alone at home are regularly accommodated at the Foundation** in order to give their caregivers an opportunity to have some time off for themselves and their hobbies.

In the presence of a social worker and a professional nurse, and under the supervision of the physicians of the Foundation, the elderly who visit the Foundation are involved for the day in various occupational therapies and activities.



## THE FERRERO NURSERY "IL NIDO"

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



**IN ITS YEARS OF ACTIVITY, THE FERRERO NURSERY HAS ESTABLISHED ITSELF AS A PLACE DEDICATED TO CHILDREN'S NEEDS AS WELL AS AN IMPORTANT MEETING AND INFORMATION POINT FOR PARENTS, OFFERING TRAINING, ADVICE AND CREATIVE ACTIVITIES TO PARENTS, EDUCATORS, SERVICE PROVIDERS AND CAREGIVERS.**

In terms of architecture, the nursery is located in a state-of-the-art, child-friendly structure. All common areas are designed with children's safety in mind, allowing them to move freely, rest, play and have fun in total safety.

The children's growth and acquisition of knowledge are also guaranteed by allowing each child to move freely around the nursery when possible. In this way, children can express themselves and act with confidence, thus encouraging each child's personal sense of security.

The nursery offers support and advice to families, **by organizing meetings and talks dedicated to parenting and child growth** with educational staff.

The various didactic activities take place through workshops on light, painting, handling exercises and music.

The outdoor space of the nursery is used in the warmer months (weather permitting) for nature-related activities.

The nursery has an indoor kitchen that uses fresh, seasonal produce and foods.

**Ferrero's retired employees visit the nursery and act as “grandparents” to the children;** there they participate in different activities with children and parents. These “grandparents” volunteer their time and experience to children, reading them fables and rhymes, preparing them snacks, making decorations for the nursery and tending to the nursery's vegetable garden.

The Foundation provides medical and nursing services for minor accidents or minor illnesses that do not require emergency medical treatment at a hospital. Monthly meetings with the director are organized and periodic coordination with the paediatricians of ASL CN2 Alba-Bra is carried out. In addition, training sessions are held regularly for professional educators and staff of the day care and all nursing equipment is regularly maintained.

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## MASTER IN SCIENCE AND TECHNOLOGY OF HUMAN NUTRITION - "MICHELE FERRERO"

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

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**THE OBJECTIVE IS TO TRAIN SPECIALISTS IN TECHNOLOGY, MEDICAL, BIOLOGY AND CHEMISTRY FIELDS, WHO WANT TO WORK IN THE FOOD PRODUCTION DEPARTMENT OF A FOOD COMPANY OR IN A FOOD RESEARCH AND DEVELOPMENT LABORATORY.**

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The Master's course takes into account how the production choices of the food production industry reflect new consumer demands, lifestyle changes and the effects of globalization on the population.

**Two prizes, worth €5,000**, are awarded to students who have completed the degree course with the best votes, and a third prize, of equal amount, is given to the student with the best thesis.

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## SUCCESSFUL AGEING

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**For the Ferrero Foundation, the concept of “successful ageing” is a philosophy that comprises activities, attitudes and relationships.** Promoting health and preventing disease, through regular medical check-ups and physical activity is certainly one of the most important goals of this philosophy. Physical performance however is just one aspect of general wellbeing. Mental skills, which can be developed through recreational and creative activities and social interaction, are also a fundamental part of this concept. They are best expressed through the engagement in volunteer and general productive activities, and underpin an individual's state of well-being as well as condition the ageing process.



The extended expected lifespan brings with it new lifestyles, new consumption habits and new generational challenges. Society must reflect on this new “extended” phase of existence, which is linked to the specific needs and demands of the elderly population. Institutions and organizations, both in the media and in academia, are required to provide **qualified information on these new social needs.**

With this in mind, the Ferrero Foundation organises a series of international scientific conferences every two years on successful ageing and the condition of dementia.

In the autumn of 2015, the conference, entitled “Successful ageing: new horizons”, was held for health professionals and issued training credits, in accordance with the ECM Medical Education Code of Ethics. The conference focused on the issue of population ageing, taking into account a range of social, economic and cultural challenges, **in order to foster the creation of a society for all ages**, in which young people and the elderly have the opportunity to contribute equally to social development and share equally in the benefits of such a feat.

The first two days of the conference were dedicated solely to scientific issues, and those in attendance were specialists, doctors, geriatricians, nurses and medical students. On November 5, instead, the focus of the debate changed to health policies and the physical and mental health challenges linked to ageing. On November 6, discussions focused on how to transform longevity into a resource; creativity and caring for the spirit; and technological innovations and their impact on health. The third day of the conference, November 7, entitled “Ageing well: instructions for use”, was dedicated to an open-discussion for the general public on the importance of physical activity, digital society, food education, and social and personal security.

The conference was held under the High Patronage of the European Parliament and with the support of the Presidency of the Council of Ministers, the University of Turin, the Italian Society of Gerontology and Geriatrics, the Italian Society of General Medicine, the Italian Society of Psychology, the Italian Society Of Internal Medicine, the Italian Society of Osteoporosis, Mineral Metabolism and Skeletal Diseases, the Order of Doctors of Cuneo, the Region of Piedmont, the Province of Cuneo, the City of Alba, and the ASL CN2 Alba-Bra.



## CULTURAL PROJECTS

Every year, **the Ferrero Foundation continues to be a vibrant reality in the cultural sphere.**

With its study and research initiatives, it offers important training opportunities, which are designed to develop a network of the latest ideas and experiences in various fields. In keeping with the company's values, the Foundation promotes these opportunities for discussion, which, in turn, foster an active, creative and responsible culture. In the pursuit of its goals, the Foundation supports and promotes cultural initiatives that are organized in collaboration with local, national and international institutions and foundations – true starting supporters of long-lasting projects designed for the benefit of society at large.

**Every year, it offers national and international grants and scholarships** to the children of Ferrero's current and retired employees, supporting scientific research and research fellowships. It also finances projects and events focusing on science and research, art and culture, and the economic and social disciplines. In particular, it promotes events dedicated to some of the most important cultural and historic figures of Alba and Piedmont, with the aim of attracting both national and international attention.

## CONFERENCE SERIES

Every month, **the Ferrero Foundation organizes events as part of the “Conference series”**. The events organized in 2015 and 2016 were the following:

- **“Light, like you have never seen it”,** with **Piero Bianucci**, Scientific Writer and Journalist.
- **“In Ethiopia. Discovering culture and tradition. Supporting mothers and children”,** by **The Committee for Medical Collaboration**, a Non-Governmental Organization and ONLUS, founded in 1968 in Turin by a group of doctors.
- **“Out of Game: sport seen from behind a whistle”,** with **Stefano Farina**, Italian Referee.
- **“From the frontiers of space exploration”,** by **Roberto Battiston**, President of the Italian Space Agency and professor at the University of Trento.
- **“The frontier of humanoid robots”,** with **Roberto Cingolani**, Scientific Director of the Italian Institute of Technology.
- **“Old news and the latest news on the origin of man”,** with **Giacomo Giacobini**, Full Professor of Human Anatomy at the University of Turin.
- **“How we will live in 2050”,** by **Gianfranco Bologna**, Scientific Director of WWF Italia and Secretary General of the Aurelio Peccei Foundation.

## FUTURBALLA

Organized by the Ferrero Foundation in Alba in the autumn of 2016 and curated by Ester Coen, the FuTurBalla exhibition was a great success, **attracting more than 90,000 visitors**. Among the visitors were **7,000 primary and elementary school children**, who visited the show and took part in the educational workshops organized. Another **7,000 visitors attended the show in groups and through associations**. Middle and high school children numbered 3,500 and approximately **5,000 catalogues** (published by Skira) **were sold**.

Ferrero's retired employees demonstrated their generous and constant support by providing surveillance services and assistance to visitors throughout the exhibition, whilst a valuable contribution also came from some Ferrero employees, who were transferred to the Foundation from the company during the FuTurBalla exhibition. The older students of Alba's high schools (with an Artistic, Classical and Scientific focus) also took part in the exhibition through various initiatives, including decorating the rooms where the children's workshops were held; providing surveillance services in the exhibition halls on weekends and on public holidays; and through the project "Ciceroni in mostra" ("Being Cicero"), which allowed students to design and conduct guided tours of the show for classmates and their families.

This exhibition was an important source of pride for the Ferrero Foundation, and during the approximate 18 months of research and preparation prior to the opening, the Foundation was able to

benefit from the indispensable support and scientific and organisational contribution of the curator, Ester Coen, and the collaboration from the Superintendence of Archaeology, Fine arts and Landscape of the Piedmont Region and the Civic Gallery of Modern and Contemporary Art of Turin (GAM).

The Foundation also received contributions from the Piedmont Region, the Society of San Paolo and the Foundation of the Cassa di Risparmio di Cuneo, whose support emphasized the importance of this cultural event.

The international nature of the exhibition and the organization of the exhibition spaces were made possible thanks to an incredible group effort demonstrated by the entire Ferrero Group. Through its various companies, the Group was able to provide the Foundation with indispensable support in obtaining artworks on loan from well-known Italian, European and American museums; the necessary software to manage on-line bookings; and the marketing and communications campaign for the event, which included the creation of a TV spot.



**>90,000**

VISITS TO THE  
FUTURBALLA EXHIBIT

Regarding the Foundation's programme of musical events, the Foundation continued its collaborations with the **Musical Union of Turin**, a non-profit association founded in 1946, and with the **Italy & USA Alba Music Festival**, directed by musicians Giuseppe Nova, Jeffrey Silber-schlag and Larry Edward Vote.



**>20,000**

FILODIRETTO MAGAZINE  
COPIES SENT WORLDWIDE

The Foundation continues to publish the business magazine, **Filodiretto**, which is published four times a year and **sent to more than 20,000 people worldwide**, including Ferrero Group employees and Ferrero's retired employees. The magazine is translated into four languages (English, German, French and Spanish) and contains a briefing on the initiatives of the entire Ferrero Group, from its individual companies to its Foundation.



## A LICENSE FOR GRANDPARENTS

The "Grandparent's license" is a series of 10 meetings, organized by Professor Maria Rita Parsi, that are open to all Ferrero's retired employees as well as others, which **address the changes, transformations, and new commitments of the elderly phase of life** and helps them to establish special relationships based on knowledge and love with grandchildren and, in general, with all of the children in their lives.

During past meetings, the lives and experiences of the elderly were explored, particularly in relation to their present life, their expectations, their plans and their hopes. Participants are invited to reflect on the passing of time and the significant and profound psychophysical transformations that arise from it. A creative, psychophysical identikit of the elderly person was described, and from there each individual was able to define the relationship of the "elderly state" with their personal history and experience, their families, their own grandparents, their children and grandchildren.

## FUTURE OBJECTIVES

The Foundation is currently organizing the international conference “**Successful ageing 2017: ageing opportunities**”, which will take place on November 9-11, 2017.

For the drafting of the definitive programme and the organization of the ECM-accredited conference, the Ferrero Foundation collaborates with the Academy of Medicine in Turin and with the Catholic University of the Sacred Heart of Milan.

The conference will be divided into four scientific sessions dedicated to the following:

- Longevity
- Fragility
- Economics and Welfare
- Technology and the Environment

The session organized on Saturday, November 11, entitled “The science of longevity”, is aimed at disseminating knowledge to a more general public and will be open to all.

## FERRERO'S OPERA SOCIALE IN GERMANY

The Ferrero Opera Sociale in Stadtallendorf first opened its doors 8 years ago to Ferrero retirees. Providing services to its longstanding former Ferrero employees, it implements the objectives of the Ferrero Foundation and its motto “Work, Create, Donate” also at the German production site. **The program is based on three pillars: “Mind” (Information and Learning), “Body” (Fitness and Nutrition) and “Soul” (Sharing and Social time).**

Opera Sociale thus offers retirees many occasions to stay active and involved, and to continue to use existing competencies or develop new ones.

## GENERATION BRIDGE: CONNECTING YOUNG AND OLD

**An example of the joint commitment of Ferrero retirees is the Opera Sociale's “Generation bridge”.** In cooperation with local schools and nursery schools, a variety of activities was created.

The young and elderly tend the Opera Sociale garden together and use the harvest for cooking. The schoolchildren thus deepen their relationship with nature and learn where fruits and vegetables, which are part of a healthy diet, come from.

**The "Picture book-cinema" is a particular favourite at the Opera Sociale.** Retirees read stories to nursery school kids and show the related pictures on a big screen. For the children, this is an event that stimulates their imagination and encourages them to interact intensely with these stories.

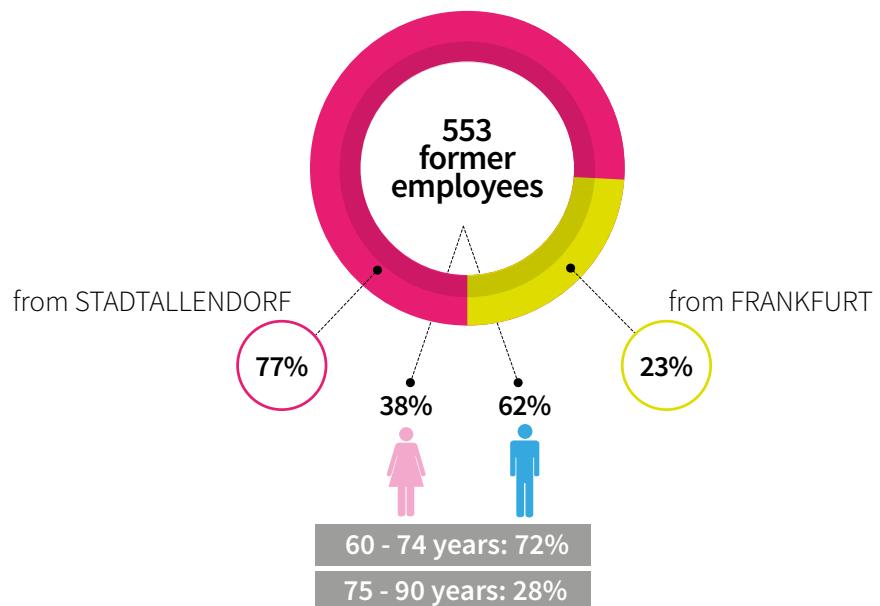
Finally, the Generation Bridge enables the young and elderly to learn something new together: such as during theatrical activities or when the "digitally native" nursery school children try out games that the Ferrero retirees played when they were children. In a playful manner, both generations thus increase their motor skills.

## SUSTAINABILITY HAS MANY FACETS

"Work, Create, Donate", Fondazione Ferrero's motto, is an expression of the sustainability concept. In this sense, **a sustainability lecture and a series of events has been established** in cooperation with the adult education center (*Volkshochschule*) of the Marburg-Biedenkopf district and the municipal senior citizen department. After energy and health as focal topics in the previous years, the topic in FY 2015/2016 was sustainability in general. Through lectures, excursions and workshops, senior citizens from Stadtallendorf and its surroundings gained insight into topics that play a role in the sustainability discussion: from the ecological footprint to sustainable forms of living and working.



### FERRERO'S GERMAN OPERA SOCIALE IN NUMBERS (AS OF 31<sup>st</sup> AUGUST 2016):



**355** activities/events

**178** additional activities  
(e.g. reading to children at nursery  
and elementary schools)

**6,620** visits

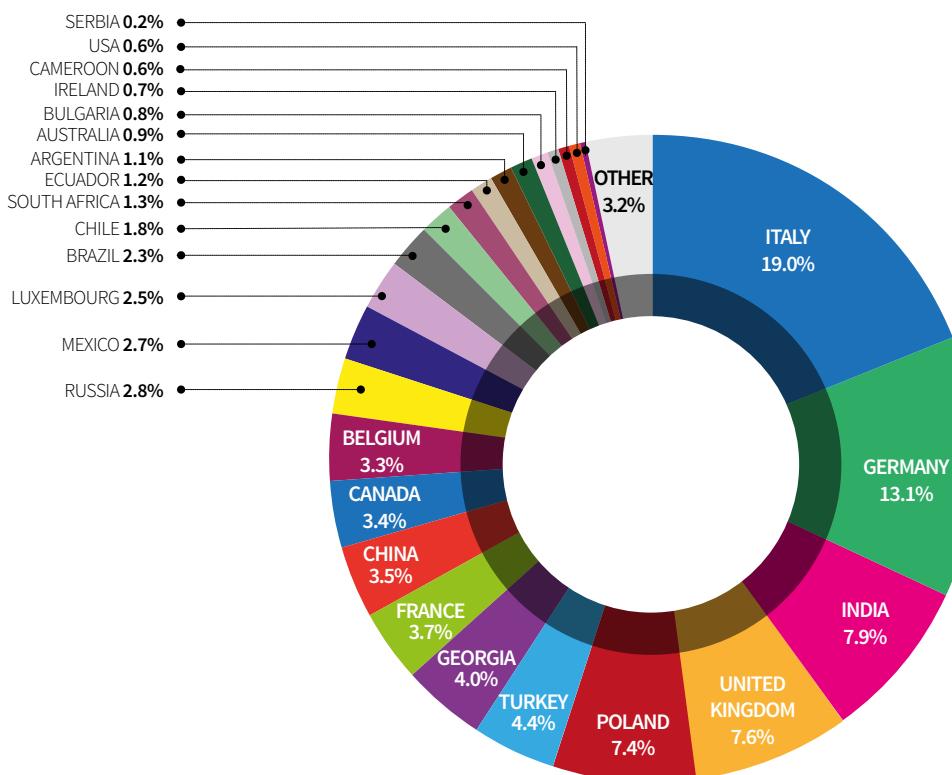
# FERRERO WOMEN AND MEN

**A**s of August 31, 2016, the number of Ferrero collaborators was **40,351** – which is in line with the figure recorded on 31 August 2015 (40,721).

This figure comprises **32,990 employees** plus **13 employees** from the Piera, Pietro and Giovanni Ferrero Foundation, for a total of **33,003 employees<sup>7</sup>**. In addition there are **7,348 external collaborators** working with the companies of the Group<sup>8</sup> (prevailently temporary workers and sales representatives<sup>9</sup>).



**INTERNAL AND EXTERNAL COLLABORATORS OF THE FERRERO GROUP AS OF 31<sup>st</sup> AUGUST 2016 DIVIDED BY COUNTRY**



7. The total of **33,003** employees at 31<sup>st</sup> August 2016 includes 2,871 people working at Thorntons Plc. The detailed data reported in this section is relative to the personnel as of 31<sup>st</sup> August 2016 that does not include the data of Thorntons Plc, for a total of 30,132 employees.

8. This also includes external resources working for Fondazione Piera, Pietro e Giovanni Ferrero. The data of Thorntons Plc instead are excluded.

9. This also includes training internships and other forms of direct collaboration, with the exception of service contracts.

COUNTRY	AS OF 31 <sup>ST</sup> AUGUST 2016	
	N. EMPLOYEES	%
Italy	7,651	19.0%
Germany	5,297	13.1%
India	3,197	7.9%
United Kingdom	3,051	7.6%
Poland	2,976	7.4%
Turkey	1,794	4.4%
Georgia	1,617	4.0%
France	1,495	3.7%
China	1,432	3.5%
Canada	1,366	3.4%
Belgium	1,319	3.3%
Russia	1,124	2.8%
Mexico	1,092	2.7%
Luxembourg	1,008	2.5%
Brazil	921	2.3%
Chile	731	1.8%
South Africa	535	1.3%
Ecuador	496	1.2%
Argentina	435	1.1%
Australia	365	0.9%
Bulgaria	331	0.8%
Ireland	267	0.7%
Cameroon	248	0.6%
USA	225	0.6%
Serbia	81	0.2%
Other	1,297	3.2%
<b>TOTAL</b>	<b>40,351</b>	<b>100%</b>

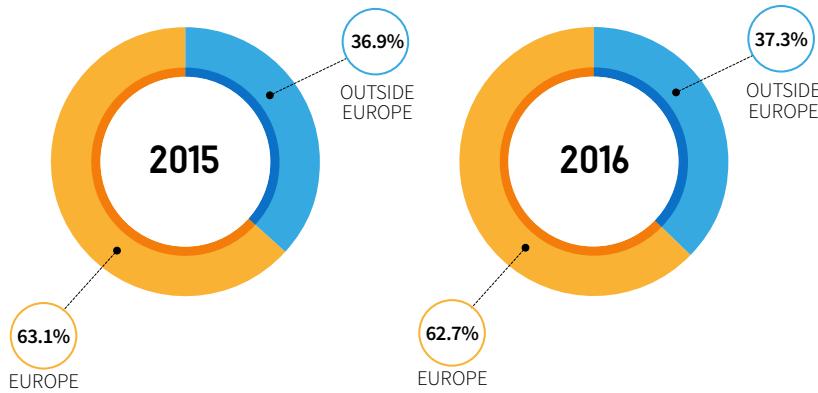
As of 31 August 2016, the Ferrero Group is composed of **employees from 113 different nationalities**.

Particularly, compared to the previous year, the number of collaborators in Italy, China and Poland has increased.

## CONSTANT GLOBAL EXPANSION

While retaining a strong presence in Europe<sup>10</sup>, in terms of the number of staff members and business activities there, the Ferrero Group continues to **increase its extra-European presence (from 36.9% as of 31 August 2015 to 37.3% as of 31 August 2016)**.

**EXACT WORKFORCE OF THE GROUP AS OF 31<sup>ST</sup> AUGUST BY GEOGRAPHIC AREA**



## FERRERO PEOPLE IN NUMBERS

**EXACT WORKFORCE OF THE GROUP AS OF 31<sup>ST</sup> AUGUST\***

N. EMPLOYEES	AS OF 31/08/2015	AS OF 31/08/2016
<b>TOTAL</b>	<b>28,928</b>	<b>30,132</b>
of which women	42.4%	44.2%

\*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 Società Thorntons Plc.

The exact workforce as of 31 August 2016 has increased compared to the previous year, particularly regarding full- and part-time permanent contracts.

The unique nature of the products Ferrero, which are predominantly chocolate-based and “seasonal”, strongly influences employment demands throughout the year, resulting in peaks in employment demand at specific times of the year and in conjunction with festive periods and holidays. This means that about 70% of production is concentrated in just 7-8 months a year (the winter season). Due to this situation,

Ferrero's use of seasonal contracts is indispensable.

**The average workforce in FY 2015/2016 was 29,206<sup>11</sup>, plus the average workforce of Ferrero Industrial Services G.E.I.E. and the Piera, Pietro and Giovanni Ferrero Foundation, for a total of 29,220 staff members, up 13.2% compared to FY 2014/2015 (25,811). In addition to this figure, there are 6,366 external Full-Time Equivalents that collaborate with the companies of the Group<sup>12</sup> (prevalently as temporary workers and sales representatives<sup>13</sup>).**

10. Europe is intended as the 28 EU Member States.

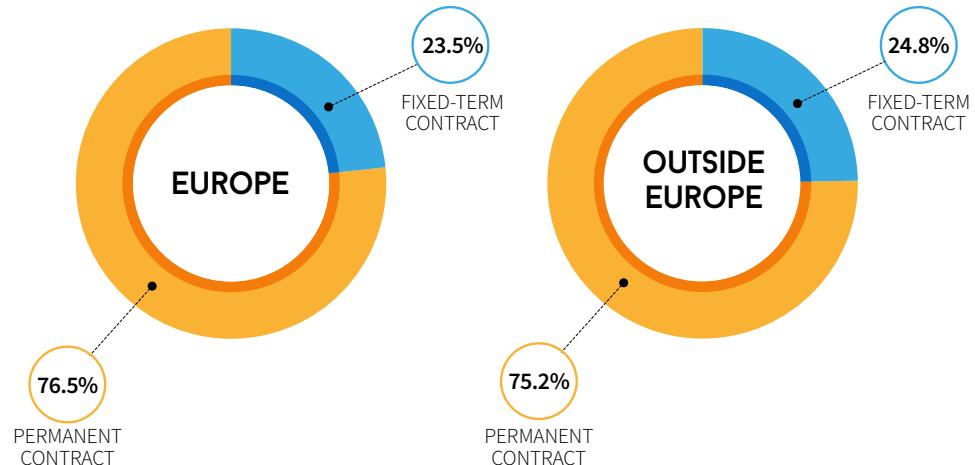
11. This represents the average workforce expressed as Full Time Equivalent (FTE).

12. This also includes external personnel who work for Ferrero Industrial Services G.E.I.E and the Fondazione Piera, Pietro e Giovanni Ferrero; the data of Thorntons Plc instead are excluded.

13. This also includes training internships and other forms of direct collaboration, with the exception of service contracts.

### GROUP WORKFORCE BY TYPE OF CONTRACT

TYPE OF WORK CONTRACT	AS OF 31/08/2015		AS OF 31/08/2016	
	N. EMPLOYEES	%	N. EMPLOYEES	%
Fixed-term contract	8,164	28.2%	7,237	24.0
Permanent contract	20,764	71.8%	22,895	76.0
<b>TOTAL</b>	<b>28,928</b>	<b>100%</b>	<b>30,132</b>	<b>100%</b>



PART-TIME/FULL-TIME	AS OF 31/08/2015		AS OF 31/08/2016	
	%	%	%	%
Part-time	3.7%		3.9%	
Full-time	96.3%		96.1%	

It is important to note that, in the Italian employment market, the use of vertical part-time contracts lasting 8 months per year is widespread because it allows companies to balance seasonal business needs with the non-work-related needs of employees.

### GROUP WORKFORCE BY CATEGORY

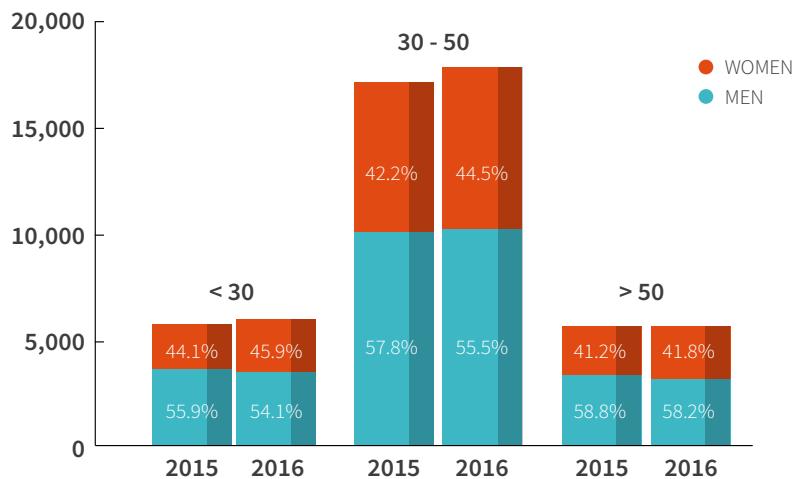
EMPLOYEE CATEGORY	AS OF 31/08/2015		AS OF 31/08/2016	
	N. EMPLOYEES	%	N. EMPLOYEES	%
Blue collar	17,407	60.2%	18,203	60.4%
White collar	8,508	29.4%	8,811	29.2%
Middle manager	2,127	7.3%	2,196	7.3%
Senior manager	886	3.1%	922	3.1%
<b>TOTAL</b>	<b>28,928</b>	<b>100%</b>	<b>30,132</b>	<b>100%</b>

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

## AGE RANGES

The table below shows the Group's personnel composition by age bracket.

**GROUP WORKFORCE BY AGE AND GENDER AS OF 31<sup>ST</sup> AUGUST**



**GROUP WORKFORCE BY AGE**

AGE GROUP	AS OF 31/08/2015		AS OF 31/08/2016	
	%		%	
< 30	21.0%		21.2%	
30 - 50	58.0%		58.4%	
> 50	21.0%		20.4%	
<b>TOTAL</b>	<b>28,928</b>		<b>30,132</b>	

Data relating to personnel of the Group, distributed per age group, are in line with the data as of 31 August 2015.

**GROUP WORKFORCE BY AGE AND CATEGORY**

EMPLOYEE CATEGORY	AS OF 31/08/2016		
	< 30	30 - 50	> 50
Blue collar	14.5%	31.7%	14.2%
White collar	6.3%	19.5%	3.4%
Middle manager	0.4%	5.4%	1.5%
Senior manager	0.0%	1.8%	1.3%
<b>TOTAL</b>	<b>21.2%</b>	<b>58.4%</b>	<b>20.4%</b>

The committees mentioned in the paragraph "Corporate Governance" are composed of 21 members, who belong to the following age groups: 34% in the "over 60" group; 33% in the "51 to 60" group; and 24% in the "40 to 50" group. In these committees, the female presence corresponds to the Chairman of the Board of Directors.

## FEMALE AND MALE PRESENCE

Compared to the previous year, there has been **an increase in female presence among the senior managers.**

### GROUP WORKFORCE AS OF 31 AUGUST

GROUP WORKFORCE	2015			2016		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
	N. EMPLOYEES	%	%	N. EMPLOYEES	%	%
<b>Geographic Area</b>						
Europe	18,249	58%	42%	18,893	57.6%	42.5%
Outside Europe	10,679	57%	43%	11,239	52.8%	47.2%
<b>Position</b>						
Blue collar	17,407	54.9%	45.1%	18,203	51.9%	48.1%
White collar	8,508	57.3%	42.7%	8,811	57.6%	42.4%
Middle manager	2,127	69.2%	30.8%	2,196	67.9%	32.1%
Senior manager	886	85.8%	14.2%	922	85.6%	14.4%
<b>Type of contract</b>						
Fixed-term contract	8,164	48.7%	51.3%	7,237	45.4%	54.6%
Permanent contract	20,764	61.2%	38.8%	22,895	59.1%	40.9%
<b>Part-time/Full-time</b>						
Part-time	1,066	20.3%	79.7%	1,186	20.8%	79.2%
Full-time	27,862	59.1%	40.9%	28,946	57.2%	42.8%
<b>Total Permanent Staff</b>	<b>28,928</b>	<b>57.6%</b>	<b>42.4%</b>	<b>30,132</b>	<b>55.8%</b>	<b>44.2%</b>

## PERSONNEL TURNOVER

The following tables show the figures relative to the male and female turnover in the workforce subdivided by geographic area and age brackets, with the exception of seasonal employees. The exit data corresponds to retirement, voluntary resignations or expiry of the contract term, while the entry data corresponds to the Group's new recruits.

During the FY 2015/2016, the Ferrero Group hired **3,825** new employees, including **2,114** men (55.3%) and **1,711** women (44.7%).



OUTGOING AND INCOMING TURNOVER BY AGE – EUROPE

FY 2014/2015						
EUROPE	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	144	146	290	222	214	436
30 - 50	132	156	288	112	165	277
> 50	96	148	244	10	22	32
<b>TOTAL</b>	<b>372</b>	<b>450</b>	<b>822</b>	<b>344</b>	<b>401</b>	<b>745</b>
%	6.12%	4.68%	5.24%	5.66%	4.17%	4.75%
FY 2015/2016						
EUROPE	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	104	115	219	241	261	502
30 - 50	114	147	261	107	168	275
> 50	95	145	240	14	15	29
<b>TOTAL</b>	<b>313</b>	<b>407</b>	<b>720</b>	<b>362</b>	<b>444</b>	<b>806</b>
%	3.90%	3.74%	3.81%	4.51%	4.08%	4.27%

OUTGOING AND INCOMING TURNOVER BY AGE – EXTRA EUROPE

FY 2014/2015						
EXTRA EUROPE	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	323	450	773	463	695	1,158
30 - 50	365	439	804	410	628	1,038
> 50	44	53	97	38	105	143
<b>TOTAL</b>	<b>732</b>	<b>942</b>	<b>1,674</b>	<b>911</b>	<b>1,428</b>	<b>2,339</b>
%	19.20%	20.66%	19.99%	23.89%	31.32%	27.93%
FY 2015/2016						
EXTRA EUROPE	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	377	470	847	688	858	1,546
30 - 50	440	632	1,072	618	712	1,330
> 50	111	113	224	43	100	143
<b>TOTAL</b>	<b>928</b>	<b>1,215</b>	<b>2,143</b>	<b>1,349</b>	<b>1,670</b>	<b>3,019</b>
%	17.49%	20.48%	19.07%	25.43%	28.14%	26.86%

## OUTGOING AND INCOMING TURNOVER BY AGE – FERRERO GROUP

FY 2014/2015						
FERRERO GROUP	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	467	596	1,063	685	909	1,594
30 - 50	497	595	1,092	522	793	1,315
> 50	140	201	341	48	127	175
<b>TOTAL</b>	<b>1,104</b>	<b>1,392</b>	<b>2,496</b>	<b>1,255</b>	<b>1,829</b>	<b>3,084</b>
%	11.16%	9.82%	10.37%	12.69%	12.90%	12.81%

FY 2015/2016						
FERRERO GROUP	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	481	585	1,066	929	1,119	2,048
30 - 50	554	779	1,333	725	880	1,605
> 50	206	258	464	57	115	172
<b>TOTAL</b>	<b>1,241</b>	<b>1,622</b>	<b>2,863</b>	<b>1,711</b>	<b>2,114</b>	<b>3,825</b>
%	9.31%	9.65%	9.50%	12.84%	12.58%	12.69%

## PARENTAL LEAVE

The following data on returning to work after a period of parental leave relates to a sample of six countries.

## PARENTAL LEAVE PER GENDER

ITALY	MEN	WOMEN	TOTAL
Employees who requested parental leave in FY 2015/2016*	1	61	62
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	1	7	8
Employees on parental leave	-	51	51
Employees who left the Group after parental leave	-	3	3
<b>Return-to-work rate after parental leave</b>	<b>100%</b>	<b>70%</b>	<b>73%</b>
Employees who requested parental leave in FY 2014/2015*	6	57	63
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	5	55	60
Employees on parental leave	-	-	-
Employees who left the Group after parental leave	1	2	3
<b>Retention rate after parental leave</b>	<b>83%</b>	<b>96%</b>	<b>95%</b>

## FERRERO'S CORPORATE SOCIAL RESPONSIBILITY - PEOPLE

LUXEMBOURG	MEN	WOMEN	TOTAL
Employees who requested parental leave in FY 2015/2016*	-	7	7
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	2	2
Employees on parental leave	-	5	5
Employees who left the Group after parental leave	-	-	-
<b>Return-to-work rate after parental leave</b>	-	<b>100%</b>	<b>100%</b>
Employees who requested parental leave in FY 2014/2015*	-	6	6
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	6	6
Employees on parental leave	-	-	-
Employees who left the Group after parental leave	-	-	-
<b>Retention rate after parental leave</b>	-	<b>100%</b>	<b>100%</b>

FRANCE	MEN	WOMEN	TOTAL
Employees who requested parental leave in FY 2015/2016*	-	18	18
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	9	9
Employees on parental leave	-	8	8
Employees who left the Group after parental leave	-	1	1
<b>Return-to-work rate after parental leave</b>	-	<b>90%</b>	<b>90%</b>
Employees who requested parental leave in FY 2014/2015*	-	19	19
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	19	19
Employees on parental leave	-	-	-
Employees who left the Group after parental leave	-	-	-
<b>Retention rate after parental leave</b>	-	<b>100%</b>	<b>100%</b>

GERMANY	MEN	WOMEN	TOTAL
Employees who requested parental leave in FY 2015/2016*	2	30	32
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	-	-
Employees on parental leave	2	30	32
Employees who left the Group after parental leave	-	-	-
<b>Return-to-work rate after parental leave</b>	-	-	-
Employees who requested parental leave in FY 2014/2015*	1	29	30
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	1	16	17
Employees on parental leave	-	11	11
Employees who left the Group after parental leave	-	2	2
<b>Retention rate after parental leave</b>	<b>100%</b>	<b>89%</b>	<b>89%</b>

SPAIN	MEN	WOMEN	TOTAL
Employees who requested parental leave in FY 2015/2016*	-	1	1
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	-	-
Employees on parental leave	-	1	1
Employees who left the Group after parental leave	-	-	-
<b>Return-to-work rate after parental leave</b>			
Employees who requested parental leave in FY 2014/2015*	-	4	4
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	4	4
Employees on parental leave	-	-	-
Employees who left the Group after parental leave	-	-	-
<b>Retention rate after parental leave</b>			

BRAZIL	MEN	WOMEN	TOTAL
Employees who requested parental leave in FY 2015/2016*	-	13	13
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	9	9
Employees on parental leave	-	1	1
Employees who left the Group after parental leave	-	3	3
<b>Return-to-work rate after parental leave</b>			
Employees who requested parental leave in FY 2014/2015*	-	16	16
<b>Data as of 31/08/2016</b>			
Employees who returned to work after parental leave	-	5	5
Employees on parental leave	-	-	-
Employees who left the Group after parental leave	-	11	11
<b>Retention rate after parental leave</b>			

\* The data includes employees who went on parental leave for a period of at least 2 months.

## ABSENTEEISM RATE

As stated in previous reports, data on the employee absenteeism rate in the Group's companies is shown below; the data below exclude the Michele Ferrero Entrepreneurial Project.

**BLUE COLLAR ABSENTEEISM IN FY 2015/2016**

PLANT	ABSENTEEISM RATE IN FY 2015/2016
Alba	3.75%
Arlon	6.66%
Balvano	4.44%
Belsk Duży	5.24%
Brantford	3.50%
Cork	5.01%
La Pastora	7.71%
Lithgow	3.83%
Manisa	2.48%
Poços de Caldas	4.62%
Pozzuolo Martesana	4.26%
Quito	3.70%
S. Angelo dei Lombardi	4.68%
S. José Iturbide	0.73%
Stadtallendorf	6.71%
Villers-Écalles	6.09%
Vladimir	3.33%

The employee 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.

## THE SMART WORKING PROJECT IN ALBA

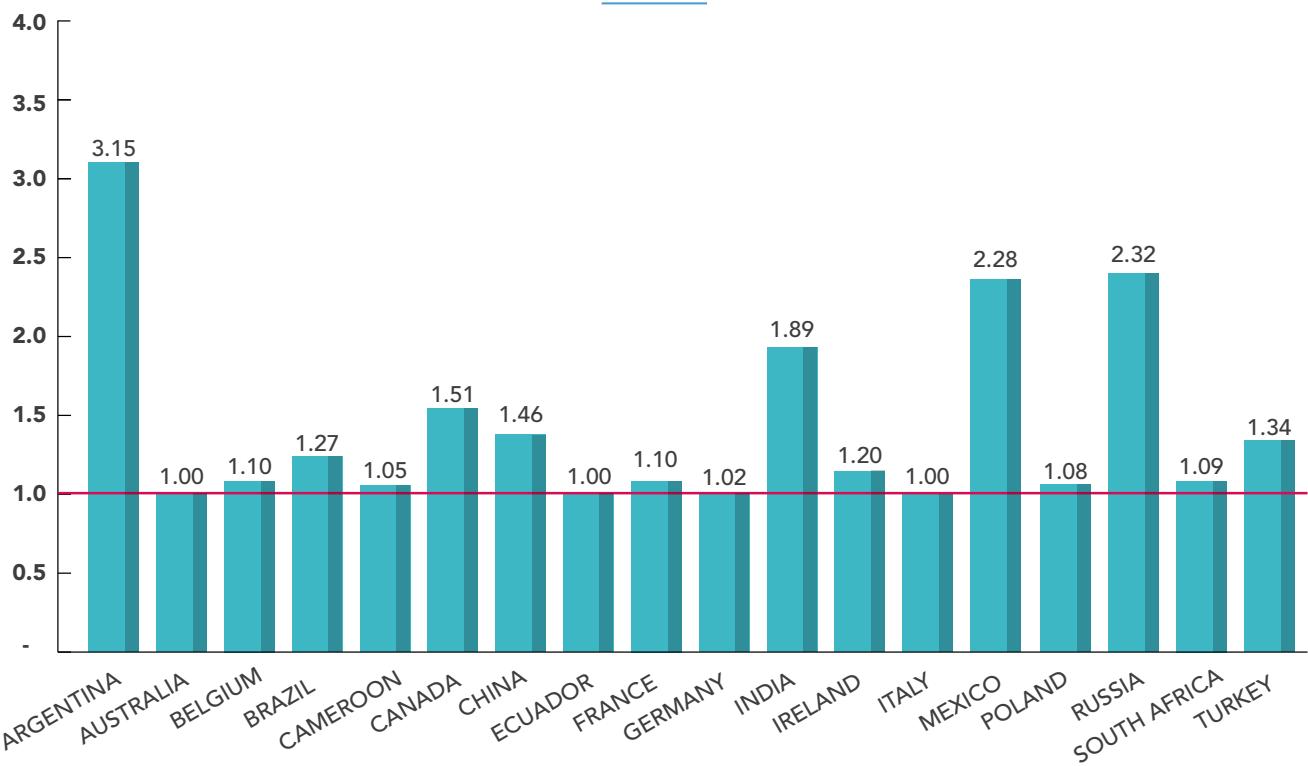
In the Alba territory, with the involvement of local trade unions, in FY 2016/2017 a one-year pilot project will be activated. It will involve approximately 100 employees working in different positions who will have the opportunity to work from home one day a week, as per the principles of the "smart working" framework. Employees participating in the pilot project voluntarily joined the initiative and met the eligibility criteria (related to the type of work position held). The end goal of the project is to extend the possibility to a larger number of employees throughout Italy because the Ferrero Group believes that it will further improve employees' life-work balance, promote an employee management style that grants employees greater autonomy and responsibility in achieving results, strengthen the trust between the company and its employees and improve the overall managerial culture of the Ferrero Group in Italy. The project also aims to reduce the environmental impact of employee travel between work and home.

## REMUNERATION

Ferrero respects the wage standards set by law and by national collective bargaining frameworks (where applicable) in all countries in which it operates. Additionally, **integrative employee agreements have been reached in the Group's main offices and plants in order to offer the most beneficial salary conditions to employees**, e.g. employee performance awards, according to the goals set in local business realities.

The chart below shows the relationship in FY 2015/2016 between the minimum wage offered by the Ferrero Group<sup>14</sup> and the legal minimum wages of the countries in which Ferrero plants and offices are located.

RATIO BETWEEN BASE SALARY OF NEWLY HIRED WORKERS  
AND THE LEGAL MINIMUM IN FY 2015/2016\*



14. The minimum wage in the Ferrero plants is the same for all newly hired personnel without gender distinction.

15. This is calculated with the formula known as:  
"Average wage Men : 100 = Average wage Women : x". When the datum is less than 100, the average wage for men is higher than that of women.

\* The basic salary is the minimum gross annual salary of newly recruited staff working along the production lines. The figure does not take into account extraordinary forms of remuneration, production awards or individual awards. In the event the relationship is equal to 1: there is an exact correspondence between the legal minimum wage and the salary offered by Ferrero.

The following is the ratio<sup>15</sup> between the average salary of male and female employees, according to a selection of the main countries in which the Group operates. Given the Group's current retrieval data collection system, the Group is able to provide such data for a sample of countries.

AVERAGE WAGE RATIO BY GENDER AND CATEGORY

EMPLOYEE CATEGORY	WOMEN VS. MEN WAGE RATIO AS OF 31/08/2015	WOMEN VS. MEN WAGE RATIO AS OF 31/08/2016
<b>Italy</b>		
Blue collar	92.4	92.6
White collar	94.9	94.5
Middle manager	95.2	93.2
Senior manager	74.5	73.5
<b>Germany</b>		
Blue collar	79.7	80.2
White collar	84.5	83.9
Middle manager	86.4	85.7
Senior manager	92.1	98.5
<b>France</b>		
Blue collar	90.2	90.4
White collar	100.8	98.4
Middle manager	91.4	89.4
Senior manager	117.0	127.1
<b>Poland</b>		
Blue collar	71.7	73.9
White collar	96.1	100.2
Middle manager	98.2	91.2
Senior manager	68.1	55.9
<b>Ireland</b>		
Blue collar	89.3	89.5
White collar	74.9	75.9
Middle manager	72.4	75.0
Senior manager	n.a.	n.a.

EMPLOYEE CATEGORY	WOMEN VS. MEN WAGE RATIO AS OF 31/08/2015	WOMEN VS. MEN WAGE RATIO AS OF 31/08/2016
<b>Canada</b>		
Blue collar	87.2	88.3
White collar	88.9	87.7
Middle manager	106.2	111.2
Senior manager	112.0	99.9
<b>USA</b>		
Blue collar*	93.3	94.8
White collar	83.2	90.1
Middle manager	95.6	108.8
Senior manager	78.1	74.0
<b>Russia</b>		
Blue collar	76.7	79.5
White collar	114.5	116.9
Middle manager	105.0	102.8
Senior manager	68.9	64.5
<b>Belgium</b>		
Blue collar	92.8	94.6
White collar	96.8	90.2
Middle manager	77.1	78.1
Senior manager	65.1	57.1
<b>Mexico</b>		
Blue collar	81.6	78.8
White collar	91.9	91.0
Middle manager	80.5	80.5
Senior manager	n.a.	n.a.

\*Figure refers to the workers employed in Ferrero's packaging plant in the USA.

There is, on average, **a positive trend in the salaries being paid to men and women**. In the average rates reported, there are some disparities and these are determined by the greater number of men employed over the course of the previous decades, which results today in greater male seniority and, consequently, higher average salaries, particularly for senior managers.

It should also be noted that, as in some smaller countries, the transfer of even just one employee (those in the top senior positions) can result in a significant variation in the conditions of employees' average salary.

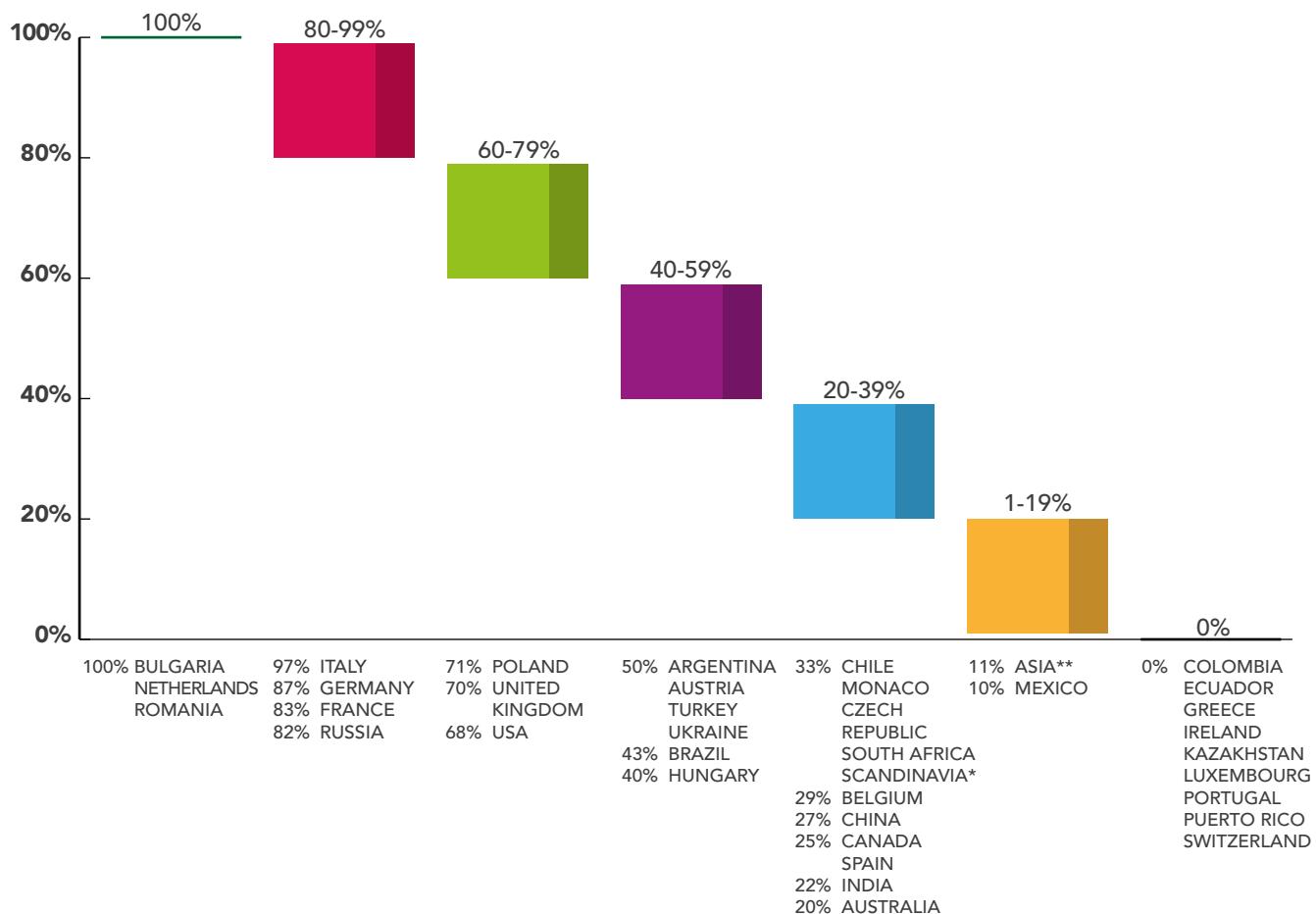


## LOCAL RECRUITMENT

FERRERO IS COMMITTED TO INCREASING, WHERE POSSIBLE, THE PERCENTAGE OF LOCALLY RECRUITED SENIOR MANAGERS IN ALL COUNTRIES IN WHICH IT OPERATES.

Below is the percentage of senior managers who were hired locally, or rather, those who are of the same nationality of the country of operation. The figure refers to the 922 senior managers of the Ferrero Group. It is worth noting that in some smaller countries, the presence of senior managers is 1 or 2. There are no senior managers in the countries for which there is no reported data.

PERCENTAGE OF LOCALLY HIRED SENIOR MANAGERS AS OF 31 AUGUST 2016



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

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

## INDUSTRIAL RELATIONS

The minimum notice period applied by the Group in the event of significant operational changes is in accordance with national or regional collective bargaining agreements; said notice period ranges from a minimum of 15 days to a maximum of 6 months.

**For the current FY 2015/2016, there were no organized employee strikes in any of companies or production sites operated by the Ferrero Group.**

### ACTIVITIES OF THE EUROPEAN BUSINESS COMMITTEE (COMITATO AZIENDALE EUROPEO - CAE) IN 2016

#### 2016: 20 years of CAE Ferrero

Two annual meetings were held in Italy to mark the 20<sup>th</sup> anniversary of CAE Ferrero. A training seminar, held in April in Turin, was dedicated to the theme: "**Lean production and its impact on the working and living conditions of employees. Definitions, practices and strategies to support and protect workers**".

The seminar also dealt with topics related to the emerging **Industry 4.0** trend, such as organizational ergonomics, smart factories and World Class Manufacturing (WCM) principles through an exploration of definitions, practices and employee engagement strategies. At the seminar, participants also explored the Ferrero Operational Excellence (FOX) model. Inspired by the Lean and Industry 4.0 models, the FOX model will involve the employees of the Group's factories in coming years.

At the training session, the **Health, Safety and Corporate Social Responsibility Laboratory** also presented to participants an update on the coordination activities between the different plants and the projects being organized. Regarding corporate communications, the project to **restructure the website dedicated to all the CAE activities**, events and internal information for all CAE representatives was presented to participants for feedback in order to make it more complete and easier to consult.

From May to September 2016, local joint-training seminars (involving worker representatives and management teams in all European sites) were organised to explore the principles and modalities for the implementation of the FOX model. Updates on projects developed by the local Safety Labs teams were also shared with participants.

Finally, during the institutional meeting in the autumn of 2016, **the 20 years of CAE activity of the Ferrero Group** were celebrated at the factory in Alba, the city in which Michele Ferrero's long and successful career path began 70 years ago.

Several special events were organized to celebrate this important milestone, starting with a special issue of the newsletter, which included the memories and impressions of the historical figures who participated in the early stages of CAE Ferrero and its further development through the years. This dedicated issue also highlighted the most significant moments in the years-long evolution of CAE Ferrero, from the day in which it was established to the realization of the participatory and constructive environment that still animates work sessions today.

Finally, a round table discussion was organized which focused on **“Europe in the years of the crisis”**. Experts from various European institutions participated in the round table, in which the various stakeholders present shared and explored views of the current difficulties of the European system and what possible solutions may be needed in the future.

Discussions focused particularly on strategies of the Europe 2020 project and the expected role of European institutions; the role and future of stakeholders who are active in Europe's social sphere; and innovation as a tool to further develop companies and improve competitiveness.

The issues discussed at the round table and the debates that ensued were an important source of inspiration for the important work that needs to be done in upcoming CAE activities.

Currently, CAE's operating agreement involves about 15,000 workers (corresponding to approximately 54% of all Ferrero Group employees), including factory workers, employees in the commercial and sales network and in nine production facilities located in Italy, Germany, Belgium, France, Poland and Ireland.



## COVERAGE OF AGREED UPON CONTRACTUAL OBLIGATIONS REGARDING PENSION PLANS

The Group defines pension plans according to the contributions of all employees of the Group's companies.

If an employee terminates his relations with the company before completing his or her pre-defined pension contribution plan, the contributions the Group pays are reduced by a proportional amount based on the contribution made up to that point. The only obligation that remains on behalf of the Group, with reference to pension plans, is to dispose of the accrued contributions.

Certain groups of employees receive settlements in accordance with the applicable laws in the individual countries in which the Group operates. The amount of pension benefits payable is determined on the basis of actuarial valuations and covered by specific funds and provisions mentioned in the financial statements.

Amounts due to employees are determined at year-end and represent the present value of Group payables to employees, after deduction of the advances paid.



## HEALTH AND SAFETY PROTECTION

**SAFEGUARDS REGARDING OCCUPATIONAL SAFETY AND HEALTH ARE CENTRAL TO THE FERRERO GROUP SYSTEM. AS A RESULT, THE GROUP IS COMMITTED TO PROTECTING THE SAFETY AND HEALTH OF EMPLOYEES, CONTRACTORS, VISITORS AND ANY OTHER PERSON WITHIN ITS SPHERE OF INFLUENCE.**

Ferrero believes that a strong and effective culture of employee safety and security is essential to improving company performance. For this reason, special attention is paid to employee engagement and activities that raise awareness on issues of safety and health.

In addition, Ferrero encourages safety and healthy habits also in employees' private lives, including the time spent at home and during leisurely activities.

The activities carried out by the Ferrero Group must comply with all the requirements defined by applicable laws in the countries in which the Group operates, as well as the more restrictive ones defined and assumed by the Group itself.

Identification of hazards, risk assessment and safety controls are elements that are taken into account in the design and constant updating of the Group's production facilities, processes and work environment.

In FY 2015/2016, the Ferrero Group continued its efforts to coordinate and disseminate best practices in health and safety in all Ferrero work environments.

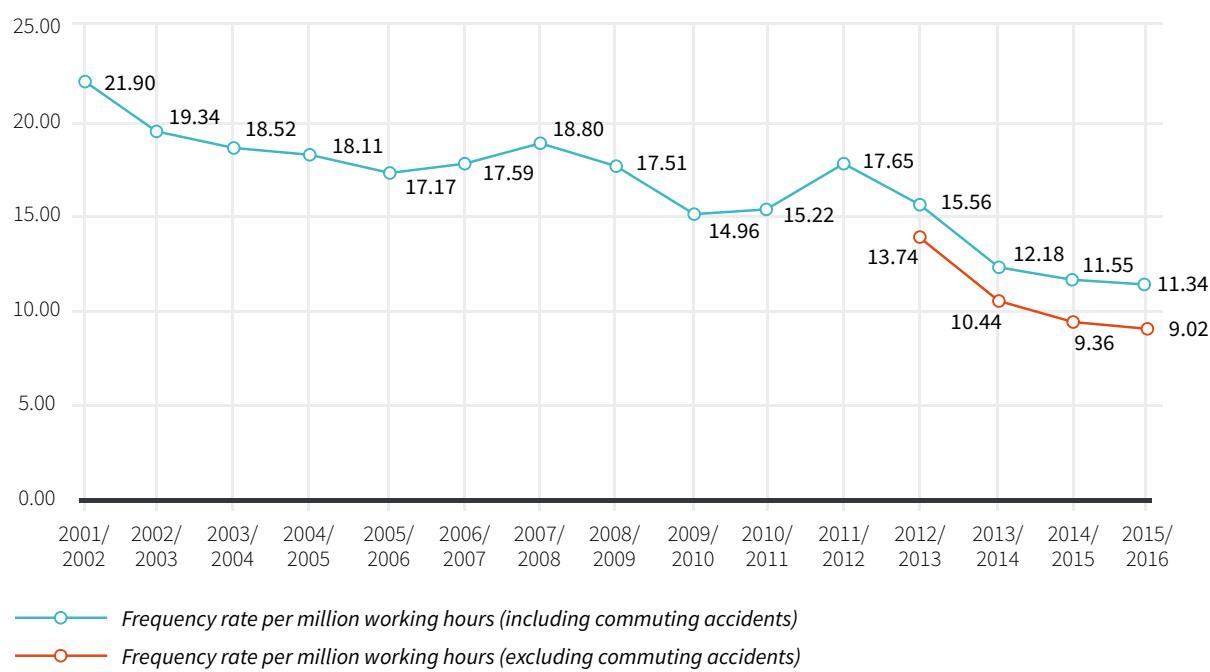
## TRENDS IN WORKPLACE INJURIES AND ACCIDENTS

*16. The following data are related to workplace injuries and accidents (absence of more than 3 days) in the production plants in Alba, Arlon, Balvano, Belsk Duzy, Brantford, Cork, La Pastora, Lithgow, Manisa, Poços de Caldas, Pozzuolo Martesana, Quito, San José Iturbide, S. Angelo dei Lombardi, Stadtallendorf, Villers-Écalles, Vladimir, in addition to, starting from FY 2015/2016: Baramati, Hangzhou, Walkerville.*

**Statistical data on the occurrence of workplace injuries and accidents in the area considered<sup>16</sup> is positive.** The injury frequency index including among Ferrero employees belonging to the production plants fell from 9.36 injuries per million hours worked to 9.02 (-4%). The injury severity index, which measures the days of work missed every 1,000 hours

worked, is still more significant, ranging from 0.25 to 0.22 (-12%). In the last three years, both the injury frequency index (-34%) and the injury severity index (-21%) have significantly decreased. Regardless, Ferrero is committed to further strengthening existing initiatives in the future in order to improve its safety performance.

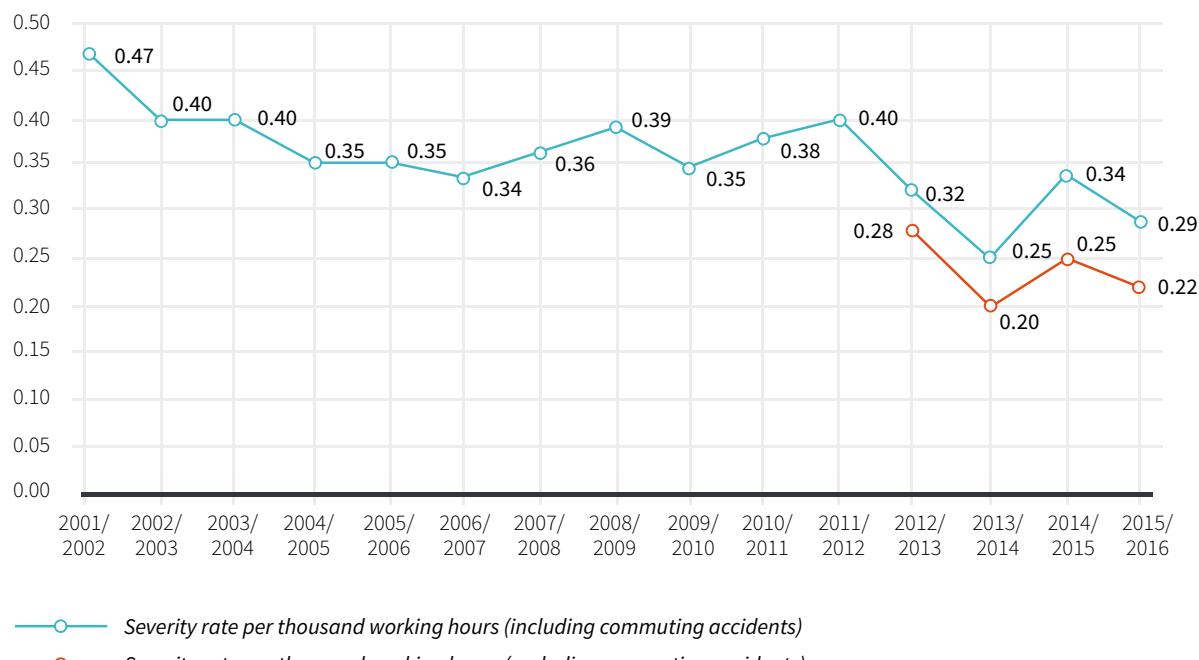
GROUP ACCIDENT FREQUENCY RATE



**FERRERO GROUP (PRODUCTION) SAFETY PERFORMANCE**

	YEAR															
	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	
<b>FREQUENCY INDEX PER MILLION HOURS WORKED</b>																
Including commuting accidents	21.90	19.34	18.52	18.11	17.17	17.59	18.80	17.51	14.96	15.22	17.65	15.56	12.18	11.55	11.34	
Excluding commuting accidents													13.74	10.44	9.36	9.02
<b>GRAVITY INDEX PER THOUSAND HOURS WORKED</b>																
Including commuting accidents	0.47	0.40	0.40	0.35	0.35	0.34	0.36	0.39	0.35	0.38	0.40	0.32	0.25	0.34	0.29	
Excluding commuting accidents													0.28	0.20	0.25	0.22

**GROUP ACCIDENT SEVERITY RATE**



When taking into account geographic area, work-related injuries can be broken down into two major areas: Europe<sup>17</sup> and Outside Europe. In Europe, there is a slight increase in the injury frequency index (+3%) and a reduction in the injury severity index (-11%). In the Outside Europe area, there is a reduction in the injury frequency index (-10%) and an increase in the injury severity index (+ 23%). However, it is worth noting the significant increase in the geographic area outside of Europe (which as of FY 2015/2016 includes Ferrero sites in Hangzhou, Baramati and Walkerville).

#### FERRERO GROUP (PRODUCTION) SAFETY PERFORMANCE BY GEOGRAPHIC AREA

YEAR		2013/2014	2014/2015	2015/2016
ACCIDENT FREQUENCY RATE				
Including injuries in course	Europe	13.87	13.49	12.80
	Outside Europe	6.60	5.52	6.75
Excluding injuries in course	Europe	11.80	10.75	11.02
	Outside Europe	5.91	5.05	4.55
ACCIDENT SEVERITY RATE				
Including injuries in course	Europe	0.30	0.38	0.32
	Outside Europe	0.11	0.21	0.20
Excluding injuries in course	Europe	0.24	0.28	0.25
	Outside Europe	0.08	0.13	0.16

In FY 2015/2016 and in the geographical areas under consideration, there were no fatal injuries. Unfortunately, a fatal event did occur in a warehouse managed by an external contractor, regarding the fatal fall of an employee.

#### HEALTH PROTECTION

Regarding issues relating to health, **new initiatives and activities have been launched to create a healthier working environment**. Some examples of these initiatives are as follows:

- the instalment of semi-automated external defibrillators in production plants and trained staff regarding their use;
- the San José Iturbide plant launched a campaign promoting healthy habits outside of work (see dedicated box);
- the La Pastora plant carried out practical training and initiatives on ergonomics (stretching) and nutritional education.

17. Europe is intended as the 28 EU Member States.

## HEALTH CARE IN MEXICO

The production plant in San José Iturbide, Mexico, has organized a series of monthly information campaigns, based on infographic materials, informational videos, conferences and other communication tools with reference to various topics related to the health and safety of living and working environments, such as safe driving, vision protection, healthy living, maternity care and the importance of correct pharmaceutical use.



## HEALTH AND SAFETY TRAINING

Training at all levels is an essential element in the acknowledgement of any health and safety risks but also for the implementation of the most effective preventative measures.

Starting from FY 2014/2015, the Ferrero Group launched a systematic data collection process concerning health and safety training. Although the criteria are not yet perfectly homogeneous and

the data is still partial, the Group estimates that **over 16,000 collaborators have participated in health and safety training sessions, amounting to over 86,000 hours of training** offered in FY 2015/2016. Regarding the number of staff working at the 19 production plants involved in this report, **the average number of hours of training offered is approximately 5.3 per capita per year** (which is up 13% over the previous year).

The main themes discussed are: training according to the position held by different types of employees (for example, a factory worker, office worker, manager), the specific risks he or she faces (for example, if there is an electrical risk, a risk related to confined spaces, equipment, forklift operation risks) and the risks linked to

emergency situations (first aid procedures and what to do in the event of fires). An example of these ongoing initiative is the **Safety Week** initiative in Italy (see dedicated box) which last took place in FY 2015/2016.

## SAFETY IS NOT AN ENIGMA



Once again, in FY 2015/2016, employees in Italy participated in initiatives aimed at promoting a culture of health and safety.

As part of these initiatives, the Safety Work Commission sponsored a communication campaign under the motto "Safety is not an enigma". Through videos and word puzzles created especially for the campaign, thousands of workers participated in a fun and creative way about issues of safety measures and risk prevention and how they themselves could contribute to strengthening the culture of safety.



## TRAINING

In FY 2015/2016, the Ferrero University worked on setting up and designing a training framework at a global level to support the business and its challenges, as defined in the Group's medium term strategic plan.

The training framework was devised according to the organizational structure of

the Ferrero University, which consists of 4 learning pillars:

- WELCOME TO FERRERO!
- FERRERO LEADERS
- FERRERO KNOW-HOW ACADEMIES
- FERRERO LOCAL TRAINING & LEARNING SYSTEMS



### WELCOME TO FERRERO!

In this pillar, we find training programmes oriented towards **employee training during the typical phases of first joining the company ("onboarding")**. This moment is not only the "new recruit" phase, but can also be considered the "entry" phase in which all moments of change take place, such as position, function, job or career.

The main programmes proposed within this pillar are:

- **"Ferrerità"**: this programme provides a broader understanding of the "Ferrero way" to all newly hired employees worldwide, making them passionate about and ambassadors of the Ferrero Group's culture and values.



It promotes employee engagement and a sense of belonging through a bespoke and engaging journey of the company's uniqueness, characterised by passion, emotion and innovation. It is a success story told by Ferrero managers.

- **“Ferrero Global Graduates Programme”:** it is a one-year learning programme targeted at all new graduates joining the company. It gives them the knowledge, the tools, and the experience to start their professional life and integrate smoothly into the company by:
  - experiencing a homogeneous experience of corporate culture and values;
  - gaining specific skills that they can use in the daily business;
  - building a strong and diverse network across countries.
- **“Group Induction Programme”:** for employees who hold strategic, key positions in the corporation.
- **“On Boarding Policy”:** policies under development to provide the local companies with a homogenous “onboarding” process, which offer the opportunity to all new recruits to effectively and quickly get to know the company they have joined and its work environment, in order to take on the responsibilities of their roles immediately and most effectively. A digital tool will be implemented next year to ensure a smooth onboarding experience for the new hire.

## FERRERO LEADERS

Within this pillar we design and provide training programmes for the Group oriented to **training employees holding management positions and creating a solid leadership role.**

This year, Ferrero University has launched the Master in International Management (MIM), a corporate master jointly designed with a prestigious international business school, SDA Bocconi, for 30 talented middle managers coming from 10 different business functions and of 13 nationalities.

The program learning goals are:

- widen the scope of their professional knowledge and strengthen their managerial capabilities;
- be able to connect the global challenges with the local ones;
- gain tangible insights into how management theories and practices apply in Ferrero's markets, product segments, processes and organization;
- provide a strong foundation of fundamental business skills and advanced topics.

This year they have attended 5 modules out of the 8 planned for the whole master for a total duration of 18 months. The last 3 modules will be delivered in the next commercial year. This is what is called a "blended programme", alternating distance with in-presence sessions. When in distance learning, it is delivered through a dedicated learning portal in which participants can find video lectures, exercises, virtual streaming classrooms and some other tools to stay connected with the professors.

## FERRERO KNOW-HOW ACADEMIES

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In this pillar the Ferrero University runs specific academies for the different corporate functions, which are characterized by the Group's distinctive know-how. The strategic objective is to **safeguard and disseminate this know-how to the different professional families through training programmes** aimed at transferring and maximizing the knowledge of the Ferrero way of business.

The governance of the Academies is based on a structured system managed by the different corporate functions, through Academy boards, that are responsible for the professional training programmes that each Academy designs and delivers. Within each Academy there are "Subject matter experts" who design the content of the training programmes and internal trainers who are trained to effectively train.

The Ferrero University team supports all the above with project management, design, and train-the-trainer activities.



The aim is to create a continuum of the learning experience, not only during training, but also after training, allowing colleagues to consolidate the learning experience and turn it into a daily working model, integrating the systems and tools offered by the Academies programmes.

The Academies already operating, of which some are being revised and updated, are:

- Ferrero HR Academy
- Ferrero Industrial Academy
- Ferrero Legal Academy
- Ferrero Marketing Academy
- Ferrero Operating Supply Academy (includes IT, Raw Materials, Supply Chain)
- Ferrero Packaging Academy
- Ferrero Procurement Academy

## FERRERO LOCAL TRAINING AND LEARNING SYSTEMS

This is the central link between the Ferrero University, operating at a Group level, and the functions dealing with training at a local level. The pillar's purpose is therefore to **verify how the local functions work in coherence with the central guidelines, recover the best practices and monitor the data regarding performance and relative KPIs through training management tools.**

This unit is also responsible for the development of platforms and systems (Learning Management System) that enable the management of learning processes, the training fruition cycle and phases prior to and following the training programme with the objective of consolidating the learning experiences.

The colleagues of this pillar also collaborate with the other pillars, supporting them in the creation of distance learning, which will enable more and more Ferrero colleagues around the world to participate.

The Ferrero University, together with all the local functions dealing with training programmes, has provided the employees of the Ferrero Group with a total of 564,038 training hours (19.5 hours per capita<sup>18</sup>), with 55,443 participations around the world and involving 17,890 employees in at least one training programme during FY 2015/2016.

The numerical data relative to the performance of the corporate training programmes at a Group level<sup>19</sup>, delivering on the commitments undertaken in the previous CSR reports, has been collated and aggregated through a training management tool that is now permanently available to all companies of the Group.

18. Per capita training hours are calculated taking into account the average workforce during FY 2015/2016.

19. Data refer to the classroom training recorded through the Learning Management System.

**TRAINING ACTIVITIES BY TRAINING AREA IN FY 2015/2016**

TRAINING AREA	PARTICIPATIONS	TRAINING HOURS
Welcome to Ferrero	2,057	29,592
Ferrero leaders	4,441	56,031
Ferrero know-how	31,762	265,853
Development	13,559	139,568
Foreign languages	3,624	72,994
<b>TOTAL</b>	<b>55,443</b>	<b>564,038</b>

**TRAINING ACTIVITIES BY TRAINING CATEGORY IN FY 2015/2016**

TRAINING CATEGORY	TRAINING HOURS
<i>Development activities</i>	19,857
<i>Finance</i>	4,428
<i>HR</i>	23,213
<i>IT</i>	15,926
<i>Languages</i>	72,994
<i>Legal</i>	5,393
<i>Maintenance</i>	5,841
<i>Marketing</i>	24,135
<i>Organization</i>	1,592
<i>Packaging</i>	249
<i>Procurement</i>	181
<i>Production</i>	60,422
<i>Quality</i>	30,902
<i>R&amp;D</i>	3,062
<i>Health &amp; safety</i>	44,745
<i>Sales</i>	34,593
<i>Supply chain</i>	3,995
<i>Group on boarding</i>	20,408
<i>Local on boarding</i>	9,184
<i>Leadership skills</i>	20,862
<i>Soft skills</i>	40,732
<i>Coaching &amp; mentoring</i>	119,711
<i>Institutional affairs &amp; PR</i>	191
<i>Professional conference</i>	1,423
<b>TOTALE</b>	<b>564,038</b>

IN FY 2015/2016  
**564,038**  
 OVERALL TRAINING HOURS

**17,890**  
 TOTAL AMOUNT OF EMPLOYEES TRAINED

**55,443**  
 TOTAL AMOUNT OF PARTICIPATIONS FOR ALL TRAINING ACTIVITIES

**TRAINING HOURS BY GENDER IN FY 2015/2016**

GENDER	TRAINING HOURS	HOURS PER CAPITA
Female	237,083	19.1
Male	326,956	19.8
<b>TOTAL</b>	<b>564,038</b>	<b>19.5</b>

**TRAINING HOURS BY EMPLOYEE CATEGORY IN FY 2015/2016**

EMPLOYEE CATEGORY	TRAINING HOURS	HOURS PER CAPITA
Blue Collar	228,912	14.0
White Collar	245,244	25.7
Middle Manager	72,699	33.7
Senior Manager	17,182	18.8
<b>TOTAL</b>	<b>564,038</b>	<b>19.5</b>

As anticipated in last year's CSR report, the Ferrero University has continued the activities on reformulating the training services throughout the year, as well as the governance of training management processes at a global level, in pursuit of its mission to support the business and its challenges as described in the medium term strategic plan.

Next year will see the delivery of all the programs that were designed and piloted this year in all the three pillars.

The Ferrero Group aims to strengthen its training services, making them available to all employees worldwide. To reach this challenging objective we will provide a digital learning platform where the employees will find the training that they

need to fulfil their activities in their roles. The platform will offer a wide array of distance learning programs and will also inform on the interactive training sessions available worldwide. Learners will also be able to browse through a large number of online learning resources that they can access to improve further and proactively create their training path.

The platform will host both the Group and the local training programs and resources to offer a smooth and complete training experience to each learner.

We also intend to strengthen the relationship with the local companies to coordinate the learning system overall, assessing its quality and defining priorities in alignment with the company's strategic plan.

## PERFORMANCE MANAGEMENT

The annual performance evaluation process is one of the fundamental pillars of the Company Talent Framework.

The main goals of the process are to align employees' behaviours and objectives to the company's business challenges and organizational needs, reinforce employees' competencies, promote their professional growth and enhance a transparent dialogue between managers and employees.

In commercial year 2015/2016 a large number of Ferrero employees (10,100 people from 53 different countries) was involved in the same evaluation process thus assuring a common approach in employees' appraisal and clarity on expected behaviours, individual contribution and development plans.

Moreover, some improvements in the process have been implemented to reflect the Group reporting line framework and support organization development.

Employees' performance evaluation refers to the commercial year (September-August) and is expressed in a final rating based on the coverage of the area of responsibility, achieved objectives and behaviours. Rating is selected from a four-point rating scale: "below expectations", "met expectations", "above expectations" and "outstanding". To guarantee performance differentiation there is a rating recommended distribution curve and harmonization sessions at central and local level to verify the consistency of the curve and internal equity.





For the fiscal year 2016/2017, the company has approved some important changes in order to value the employee's contribution on three dimensions (Individual, Team, Organization) thus enhancing organizational integration, provide additional opportunities for quality feedback between manager and employee and improve performance differentiation through a wider rating scale.

**In commercial year 2015/2016, around 97% of our senior management received a positive evaluation** with almost 65% in the upper half of the scale.

The following tables report the percentage of employees by gender and by employee category that received a regular performance and career development review during the reporting period:

**EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW IN FY 2015/2016, BY CATEGORY**

CATEGORY	PERCENTAGE
White Collar	74%
Middle manager	97%
Senior manager	100%

**EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW IN FY 2015/2016, BY GENDER**

GENDER	PERCENTAGE
Female	32%
Male	37%
<b>TOTAL</b>	<b>35%</b>

## COMPETENCIES MANAGEMENT

**Employees' performance and development are strictly linked to Ferreiro values and competencies model,** which reflects the uniqueness of the company culture and integrates values with core and technical competencies.

Seven core competencies (Managing people, Drive for results, Global mindset, Future-oriented thinking, Leading innovation, Managing change, Organizational integration) have been identified as essential behaviours required to be successful in the organization,

together with the mastery of technical skills and the fit with company values.

Competencies feed all HR processes and are crucial in the employees' life cycle. They are incorporated into job profiles, integrated into job advertising and embedded in interview frameworks, they are selected by employees in the Performance management as strengths or areas of improvement, and are addressed in individual development plans and learning pathways for professional growth.



## SENIORITY OF SERVICE

**THE FERRERO GROUP IS CHARACTERIZED BY A PARTICULARLY POSITIVE WORK ENVIRONMENT WHICH IS THANKS TO THE STRONG BOND BETWEEN EMPLOYEES OF THE GROUP AND THE FERRERO FAMILY, WHICH HAS BEEN STRENGTHENED OVER THE YEARS.**



*20. The average was calculated considering, for every employee working at 31<sup>st</sup> August 2016, the seniority of service from the date of entry in the Ferrero Group to 31<sup>st</sup> August 2016.*

In 2016, a formal recognition was given to: 257 employees for their 25 years of seniority in the Ferrero Group; 40 employees for 30 years of seniority; 134 employees for 35 years; 48 employees for 40 years; and 1 employee for 50 years.

The following data refers to the average seniority<sup>20</sup> of the employees of the Group's factories as of 31 August 2016 (it should be noted that the Manisa and San Jose production plants have only been operating since 2013).

### AVERAGE SENIORITY OF SERVICE OF THE FERRERO GROUP'S EMPLOYEES AS OF 31 AUGUST 2016

EMPLOYEE CATEGORY	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
<b>ITALY: Alba since 1946, Pozzuolo Martesana since 1965, Balvano since 1985, S. Angelo dei Lombardi since 1985</b>			
Blue Collar	11 years, 4 months	16 years, 8 months	<b>14 years, 3 months</b>
White Collar	22 years, 1 month	24 years, 5 months	<b>23 years, 10 months</b>
Middle managers	23 years, 5 months	26 years, 5 months	<b>26 years, 2 months</b>
Senior managers	9 years, 6 months	27 years, 4 months	<b>26 years, 5 months</b>
<b>GERMANY: Stadtallendorf since 1956</b>			
Blue Collar	8 years, 11 months	11 years, 5 months	<b>10 years, 2 months</b>
White Collar	12 years, 3 months	16 years, 4 months	<b>14 years, 11 months</b>
Middle managers	12 years, 0 months	18 years, 1 month	<b>17 years, 2 months</b>
Senior managers	-	23 years, 2 months	<b>23 years, 2 months</b>
<b>FRANCE: Villers-Écalles since 1960</b>			
Blue Collar	6 years, 7 months	11 years, 2 months	<b>9 years, 0 months</b>
White Collar	13 years, 4 months	17 years, 7 months	<b>16 years, 0 months</b>
Middle managers	7 years, 7 months	14 years, 6 months	<b>12 years, 4 months</b>
Senior managers	-	0 years, 2 months	<b>0 years, 2 months</b>

EMPLOYEE CATEGORY	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
<b>AUSTRALIA: Lithgow since 1974</b>			
Blue Collar	13 years, 10 months	8 years, 6 months	<b>10 years, 11 months</b>
White Collar	14 years, 0 months	13 years, 8 months	<b>13 years, 10 months</b>
Middle managers	-	7 years, 8 months	<b>7 years, 8 months</b>
Senior managers	-	33 years, 8 months	<b>33 years, 8 months</b>
<b>IRELAND: Cork since 1975</b>			
Blue Collar	10 years, 7 months	9 years, 8 months	<b>10 years, 0 months</b>
White Collar	10 years, 11 months	13 years, 11 months	<b>13 years, 0 months</b>
Middle managers	19 years, 2 months	30 years, 9 months	<b>27 years, 10 months</b>
Senior managers	-	33 years, 1 month	<b>33 years, 1 month</b>
<b>ECUADOR: Quito since 1975</b>			
Blue Collar	9 years, 10 months	5 years, 6 months	<b>7 years, 9 months</b>
White Collar	8 years, 4 months	7 years, 0 months	<b>7 years, 7 months</b>
Middle managers	22 years, 9 months	16 years, 0 months	<b>17 years, 11 months</b>
Senior managers	-	40 years, 1 month	<b>40 years, 1 month</b>
<b>BELGIUM: Arlon since 1989</b>			
Blue Collar	6 years, 11 months	9 years, 4 months	<b>8 years, 2 months</b>
White Collar	20 years, 1 month	19 years, 7 months	<b>19 years, 11 months</b>
Middle managers	16 years, 11 months	22 years, 1 month	<b>21 years, 5 months</b>
Senior managers	-	4 years, 11 months	<b>4 years, 11 months</b>
<b>POLAND: Belsk Duzy since 1992</b>			
Blue Collar	4 years, 11 months	7 years, 3 months	<b>6 years, 2 months</b>
White Collar	9 years, 9 months	9 years, 7 months	<b>9 years, 8 months</b>
Middle managers	-	18 years, 10 months	<b>18 years, 10 months</b>
Senior managers	19 years, 6 months	18 years, 7 months	<b>18 years, 9 months</b>
<b>ARGENTINA: La Pastora since 1992</b>			
Blue Collar	12 years, 8 months	10 years, 2 months	<b>11 years, 4 months</b>
White Collar	9 years, 11 months	16 years, 0 months	<b>13 years, 5 months</b>
Middle managers	4 years, 3 months	13 years, 2 months	<b>11 years, 5 months</b>
Senior managers	-	8 years, 6 months	<b>8 years, 6 months</b>
<b>BRAZIL: Poços de Caldas since 1994</b>			
Blue Collar	4 years, 4 months	3 years, 7 months	<b>4 years, 1 month</b>
White Collar	7 anni, 1 mese	6 years, 8 months	<b>6 years, 9 months</b>
Middle managers	-	14 years, 3 months	<b>12 years, 8 months</b>
Senior managers	-	20 years, 8 months	<b>20 years, 8 months</b>
<b>CANADA: Brantford since 2006</b>			
Blue Collar	4 years, 7 months	3 years, 9 months	<b>4 years, 1 month</b>
White Collar	6 years, 11 months	6 years, 10 months	<b>6 years, 10 months</b>
Middle managers	10 years, 10 months	17 years, 6 months	<b>17 years, 0 months</b>
Senior managers	11 years, 6 months	13 years, 0 months	<b>12 years, 8 months</b>

EMPLOYEE CATEGORY	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
<b>CAMEROON: Yaoundé since 2005</b>			
Blue Collar	5 years, 1 month	2 years, 11 months	<b>4 years, 4 months</b>
White Collar	4 years, 11 months	4 years, 6 months	<b>4 years, 8 months</b>
Middle managers	10 years, 7 months	18 years, 6 months	<b>15 years, 11 months</b>
Senior managers	-	-	-
<b>SOUTH AFRICA: Walkerville since 2006</b>			
Blue Collar	6 years, 3 months	4 years, 9 months	<b>5 years, 11 months</b>
White Collar	4 years, 6 months	2 years, 4 months	<b>3 years, 0 months</b>
Middle managers	6 years, 4 months	8 years, 11 months	<b>8 years, 6 months</b>
Senior managers	-	1 year, 11 months	<b>1 year, 11 months</b>
<b>INDIA: Baramati since 2007</b>			
Blue Collar	8 years, 1 month	6 years, 2 months	<b>7 years, 0 months</b>
White Collar	4 years, 8 months	2 years, 7 months	<b>2 years, 9 months</b>
Middle managers	-	10 years, 5 months	<b>10 years, 5 months</b>
Senior managers	-	11 years, 3 months	<b>11 years, 3 months</b>
<b>RUSSIA: Vladimir since 2009</b>			
Blue Collar	3 years, 3 months	4 years, 2 months	<b>3 years, 9 months</b>
White Collar	5 years, 0 months	5 years, 9 months	<b>5 years, 6 months</b>
Middle managers	7 years, 2 months	16 years, 5 months	<b>9 years, 10 months</b>
Senior managers	-	11 years, 5 months	<b>11 years, 5 months</b>
<b>MEXICO: San José Iturbide since 2013</b>			
Blue Collar	1 year, 1 month	1 year, 2 months	<b>1 year, 1 month</b>
White Collar	3 years, 2 months	3 years, 3 months	<b>3 years, 3 months</b>
Middle managers	4 years, 4 months	10 years, 10 months	<b>9 years, 6 months</b>
Senior managers	-	7 years, 3 months	<b>7 years, 3 months</b>
<b>TURKEY: Manisa since 2013</b>			
Blue Collar	1 year, 9 months	1 year, 11 months	<b>1 year, 10 months</b>
White Collar	3 years, 4 months	3 years, 6 months	<b>3 years, 5 months</b>
Middle managers	4 years, 3 months	29 years, 10 months	<b>17 years, 1 month</b>
Senior managers	-	21 years, 11 months	<b>21 years, 11 months</b>

## PEOPLE SATISFACTION SURVEY

During 2016 the Ferrero Group was dedicated to deploying action plans focused on the main strengths and areas of improvement raised in the first global employee satisfaction survey conducted in 2015. With the strong commitment of its Top management, **the Group has defined action plans which aim to both obtain immediate results and define mid and long term projects.** Aware of this long-term journey, the Group has already started the implementation of the first initiatives.

A second global employee survey will be launched in 2018, with the expectation of increased performance, resulting from more engaged employees and enhanced working environments. This is the firm commitment of Ferrero Group to work hard to reach the targets.

In the meantime, the Group has grown: the next global employee survey will involve almost 40,000 employees in over 50 countries.

As a mid-term check between 2015 and 2018, in 2017 the Group will launch a pulse survey, in a renewed collaboration with the Great Place to Work Institute® (GPTW), a globally recognized organization that assists in evaluating results against national and international benchmarks. This shorter survey will measure Ferrero employees' perceptions of the working climate, in order to better identify focus areas to fine-tune improvement efforts.

At the same time, Ferrero will work to improve communication with its employees in terms of approach and channels used, to offer more training opportunities as well as foster the consistency of its management structure. By building on its strengths and addressing the areas of improvement, the Group will make great strides in creating a better workplace for all its employees.



## UPCOMING OBJECTIVES SET FOR 2020

The aim of the Ferrero Group is to **increase its market competitiveness and “employee branding” by leveraging the heterogeneity of its staff, which it considers a major resource.** As such, the Group is committed to ensuring the global implementation through the Human resources department of equal opportunities policies. This will lead to the definition of a complete set of skills as well as a more correct recognition of each employee's contribution to the company.

To this end, the Ferrero Group has developed a set of specific targets to meet for 2020:

- a 5% increase in women holding senior management positions (senior manager) compared to 31 August 2015;
- new partnerships with schools/departments specialized in economics to develop specific programs for female managers, starting from FY 2016/2017;
- Ferrero University: development of training initiatives on “Global Mentality and Diversity” to enhance knowledge and awareness on this issue at all levels of the company, starting from FY 2016/2017.

In accordance with the projects already underway, and according to the objectives set in the previous CSR report, the Ferrero Group will focus specifically on the following areas:

- in order to promote equal opportunities at all levels of the organization, **performance evaluation tools will be further developed and salary review policies will be refined**, which will define the priorities of interventions based on both performance and individual positioning in the market of reference;
- the strengthening and development of the professionalism of collaborators who protect and manage corporate know-how and business assets, in a variety of fields: industrial, commercial, business and innovation and business support tools. For this purpose, **the training courses of the Ferrero Know-How Academy are being improved**, as described in the "Training" section of this chapter;
- the **continuation of job placement projects that are already in place to attract young workers**: a number of initiatives are taking place at the country level, such as school-job alternation projects, orientation days, scholarships, internships, which will be further developed;
- **extension of voluntary initiatives regarding workplace health and safety** aimed at bolstering a culture of health and safety and aimed at attracting greater employee participation.

# MICHELE FERRERO ENTREPRENEURIAL PROJECT

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

*Kalidasa (कालिदास  
- IV-V secolo d.C.)*

The same entrepreneurial and philanthropic spirit that has characterized Ferrero since its founding was the main source of inspiration of the Ferrero Social Enterprises, which were conceived and established over 10 years ago in Cameroon, and later in South Africa and India. Subsequently, in 2015, the Ferrero Social Enterprises were renamed the “Michele Ferrero Entrepreneurial Project”, in memory of Michele Ferrero, holder of the Order of Merit for Labour of the Italian Republic who strongly advocated and supported the Ferrero Social Enterprises project at every stage of its development.

**Cavaliere del Lavoro Michele Ferrero**  
(April 26, 1925 – February 14, 2015)



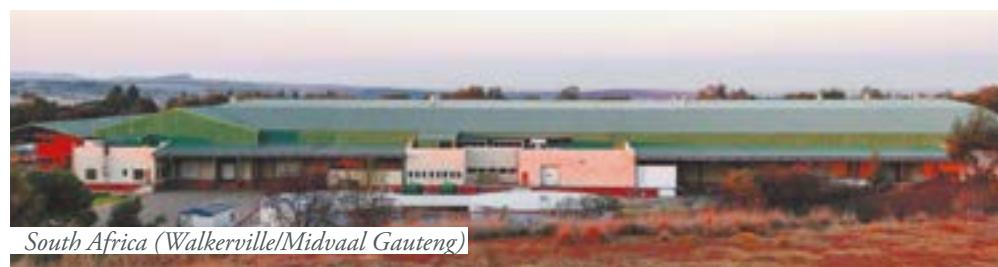
**MICHELE FERRERO ENTREPRENEURIAL PROJECT INCLUDES COMMERCIAL ENTERPRISES TO ALL EFFECTS; THEIR GOAL, THEREFORE, IS TO EARN PROFITS. NONETHELESS, THEY ACT ACCORDING TO A "SOCIAL" SPIRIT BECAUSE THEY AIM TO CREATE JOBS IN THE LEAST DEVELOPED AREAS OF EMERGING COUNTRIES. MOREOVER, THEY IMPLEMENT PROJECTS AND INITIATIVES OF A SOCIAL AND HUMANITARIAN NATURE, AIMED AT SAFEGUARDING THE HEALTH AND EDUCATIONAL AND SOCIAL DEVELOPMENT OF CHILDREN AND YOUNG ADULTS IN THOSE COUNTRIES, INDEPENDENTLY FROM ACHIEVEMENT, OR FAILURE TO ACHIEVE, POSITIVE BALANCE RESULTS.**

The “social spirit” extends to **humanitarian initiatives** implemented in the areas where the project operates. These initiatives are aimed at safeguarding the health and educational and social growth of children and youth, and they have been developed under the emblem of:

# MICHELE FERRERO ENTREPRENEURIAL PROJECT



The Michele Ferrero Entrepreneurial Project began operating in Cameroon (Yaoundé) in 2005, in South Africa in 2006 (Walkerville/Midvaal, Gauteng) and in India (Baramati/Pune, Maharashtra<sup>21</sup>) in 2007.



*21. The Michele Ferrero Entrepreneurial Project in India refers only to the activities carried out at the plant in Baramati*

## MISSION OF THE MICHELE FERRERO ENTREPRENEURIAL PROJECT

The mission of the Michele Ferrero Entrepreneurial Project is twofold:

### a. Job creation

With this pledge, the Michele Ferrero Entrepreneurial Project, targeting the communities where it operates, aims to not only provide its collaborators with an income that enables them to make a living for themselves and their families, but also to:

- share a strong sense of dignity with working men and women, offering them the possibility of becoming masters of their own destiny;

- ensure professional training and skills acquisition;
- foster a modern industrial workplace culture.

The opening of production plants provides business opportunities for many companies in the area. In addition, the **project selects local raw materials for the production of Ferrero products**, resulting in the creation of additional jobs along the entire supply chain, thus supporting economic development and prosperity of the larger local community.



### **b. The realization of social and humanitarian projects and initiatives**

To achieve the above-mentioned goal, a “Social Fund” is organised based on annual production volumes at each plant. Subsequently, the sum of the “Social Fund” is transferred to a dedicated bank account in a local bank. According to a three-year plan, the funds are then used to carry out specific social projects that will be selected together with local institutions, based on the recommendations of the Ferrero Foundation. To date, the social and humanitarian initiatives of the Michele Ferrero Entrepreneurial Project have focused on offering various forms of assistance to children, in the areas of education and healthcare. These activities include the renovation of public school buildings and primary schools; support for childcare facilities dedicated to homeless children; seminars for youth to raise awareness on the prevention of infectious diseases.



## **JOB DEVELOPMENT AND SOCIAL IMPACT**

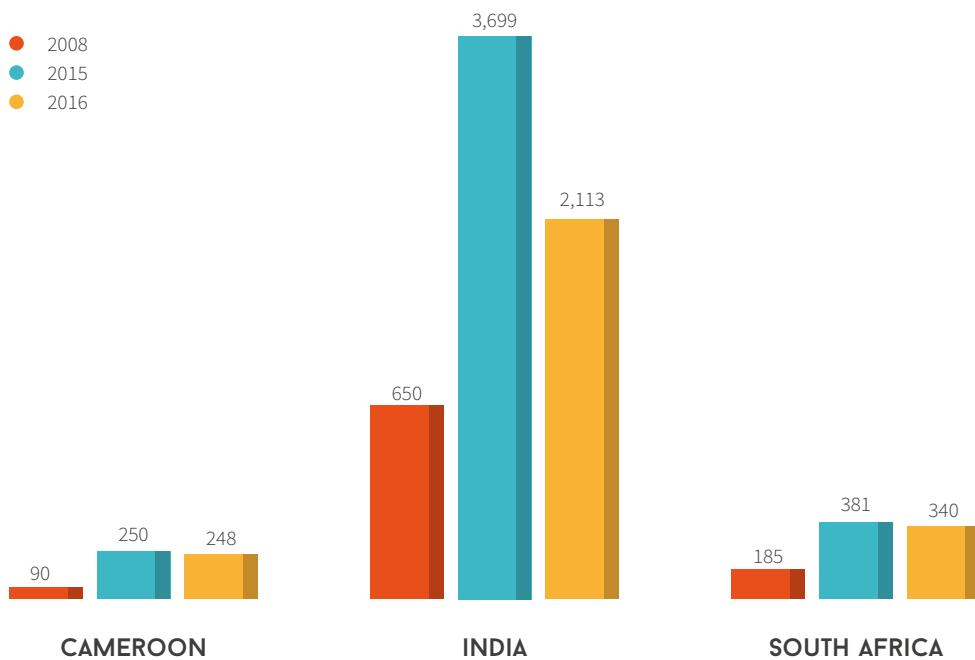
*22. This number includes Ferrero’s external collaborators, such as temporary workers, sales agents, trainees and interns and other forms of direct collaboration, with the exception of service collaborators.*

As of August 31, 2016, businesses participating in the Michele Ferrero Entrepreneurial Project have collaborated with 2,701 people<sup>22</sup>, equalling approximately 6.7% of the total number of employees of the Ferrero Group.

**As of the above-mentioned date, there were 248 employees working in the production plant in Cameroon; 2,113 in India; and 340 in South Africa.**

The production plant in India is ranked fourth in terms of labour force absorption capacity, out of the 22 production plants of the entire Ferrero Group.

OCCUPATIONAL LEVELS OF THE MICHELE FERRERO ENTREPRENEURIAL PROJECT  
AS OF 31 AUGUST



Workers directly employed in the confectionery sector correspond to the number of employees working in the local supply chain (raw material supply, packaging, logistic services), thus triggering **a virtuous system that promotes the necessary conditions for sustainable development**, within the communities in which the Michele Ferrero Entrepreneurial Project operates.

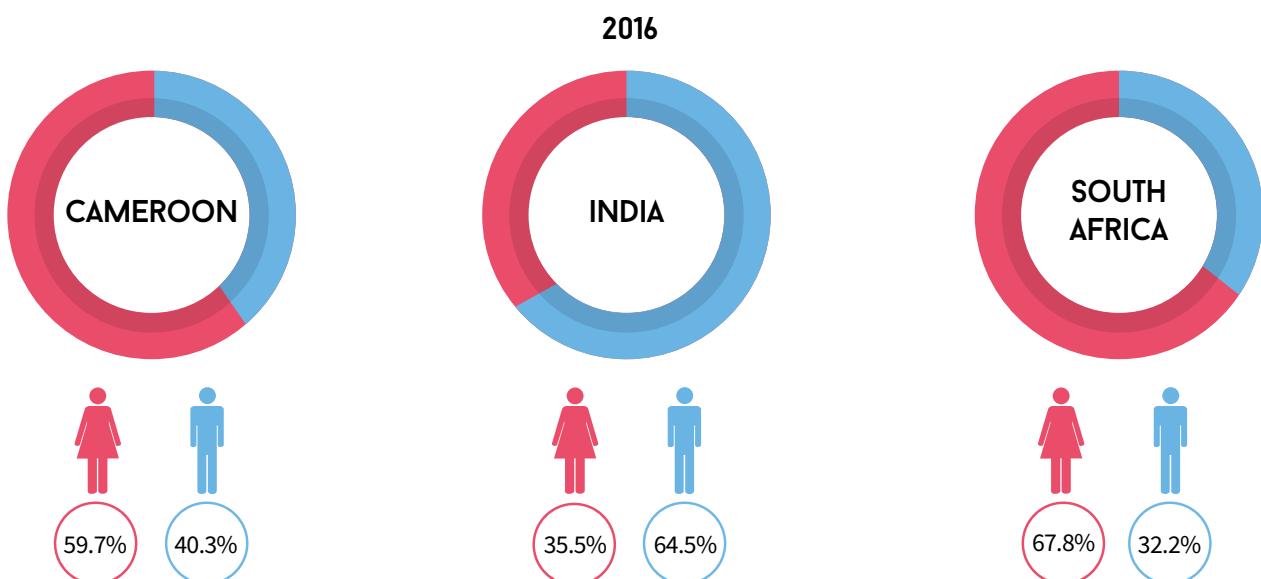
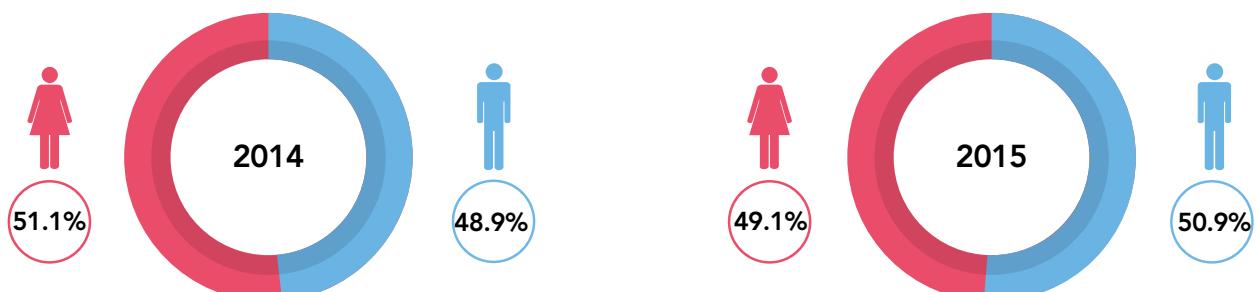


There are more women than men employed at the plants in South Africa and Cameroon. The opposite is true, however, in India, for reasons mainly related to cultural, economic and logistical issues that tend to limit the social mobility of women in India.

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**WOMEN EMPLOYED DIRECTLY BY THE MICHELE FERRERO  
ENTREPRENEURIAL PROJECT AS OF 31 AUGUST**

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Moreover, since its establishment, the social mission of the Michele Ferrero Entrepreneurial Project has been extended to include the realization of projects and initiatives of specific interest to the local communities in which it operates.

These projects and initiatives have focused on safeguarding the health, educational and social growth of children and youth and have been implemented in close collaboration with the Ferrero Foundation and local institutional authorities.

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

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

THE PRODUCTION ACTIVITIES OF THE MICHELE FERRERO ENTREPRENEURIAL PROJECT ARE PARTICULARLY FOCUSED ON THE REALIZATION OF PRODUCTS FROM THE KINDER® LINE. WELL-KNOWN ACROSS THE WORLD, THE KINDER® LINE HAS DEVELOPED A SERIES OF PRODUCTS WITH A SHARED MISSION: TO CONTRIBUTE TO THE JOYOUS GROWTH OF CHILDREN AND YOUTH, BASED ON A HEALTHY EMOTIONAL AND COGNITIVE DEVELOPMENT AND TO BUILD A RELATIONSHIP WITH FAMILIES, THANKS TO THE HIGH QUALITY OF PRODUCTS, THE CARE TAKEN DURING THEIR PRODUCTION AND THEIR APPROPRIATE PRODUCT PORTIONS.

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

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

More specifically, in all three production plants of the Michele Ferrero Entrepreneurial Project, the production of the edible part of KINDER® Joy is made with

highly automated equipment; whilst the plastic shells containing the surprise toy and the toy itself are assembled by hand.

Similarly, in India and South Africa, the Tic Tac® pill is made with automated Ferrero technology, while the packaging phase is semi-automatic. In FY 2015/2016, 72% of the agricultural raw materials used by the production plants of the Michele Ferrero Entrepreneurial Project were purchased from local producers, representing an increase of about 5% over the previous year. The local sourcing of raw materials enables an increase in employment opportunities within the supply chain. In Cameroon, the Ferrero Group has been working to transform the production facility into a veritable research and experimentation centre dedicated to raw materials and the production of semi-finished products.



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

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

There are **over 1,000 refugee children between 6 and 8 years who do not attend school.**

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

## THE NEXT STEPS

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

The event was also an opportunity to announce that **some of the modules used for the Ferrero Group’s pavilions and installations at the 2015 Milan Expo would be sent and reused in two countries in Africa**, continuing to create value even after the conclusion of the international event in Milan.

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





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

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



# KINDER+SPORT



## KINDER+SPORT, JOY OF MOVING

The Ferrero Group has always been dedicated to people and the environment. Through the Kinder+Sport project, which was first launched in 2005 and which later became the international social responsibility programme in 2013, **the Ferrero Group has launched its own approach to promoting a culture dedicated to active lifestyles** among the younger generations in order to fight sedentary and inappropriate lifestyles. Through this project, the Group supports the continual education of children and young adults by focusing on the importance of movement.

The Kinder+Sport project is constantly growing. Thanks to the support and collaboration of institutions, Olympic committees, federations and sports associations, the project is currently active in 28 countries and involves over 4.4 million children annually. Kinder+Sport encourages the practice of daily physical activity in children and youth because it believes that embracing an active and joyful lifestyle from an early age, especially from 4 to 14 years, can encourage them to become active adults.

In addition, since 2012, **the Kinder+Sport project has adopted a specific and innovative educational approach, called the “Joy of Moving” method**. It is an original methodology and the result of a three-year research project, which encourages movement in order to promote and inspire positive lifestyles and healthy habits.

Data on global sedentary rates is increasingly becoming a cause for concern and, according to estimates of the World Health Organization, more than half of children around the age of 11 do not practice the recommended 60 minutes of daily physical activity. The Ferrero Group has placed particular focus on younger generations with the intent of establishing the project according to a much broader perspective: children are our future and the future of children rests on movement.

**KINDER+SPORT IS AN INTERNATIONAL EDUCATIONAL PROJECT AIMED AT PROMOTING THE JOY OF MOVEMENT IN THE LIFE OF EACH CHILD.**

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON THE IMPLEMENTATION OF THE COUNCIL RECOMMENDATION ON PROMOTING HEALTH-ENHANCING PHYSICAL ACTIVITY ACROSS SECTORS - BRUSSELS, 5/12/2016**

In Europe, many people fail to fulfil the minimum amount of daily physical activity recommended by the World Health Organization (WHO). In particular people with a low socio-economic status, ethnic minority groups and people with disabilities are not sufficiently active.

2014 data from the Eurobarometer on sports and physical activity indicates that 6 out of 10 people over 15 years never practice or rarely practice a sport, and more than half never carry out or rarely carry out other types of physical activity, such as bicycling or walking, physical activity inside the home or gardening. Likewise, according to the WHO, only 34% of teenagers aged 13 to 15 are sufficiently active and satisfy the WHO recommendation on physical activity for children and youth.

## **STRENGTHENING THE STRATEGY ON THE ROAD TOWARD RESPONSIBILITY**

In keeping with the past, the Kinder+Sport project promotes and encourages the daily practice of physical movement and sports among children and the younger generations. In the various countries in which Kinder+Sport operates, it continues to comply with the following five principles of social responsibility:

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

**2. Concrete partnerships:** the main activities of Kinder+Sport are created and organized in partnership with a range of national and international partners, institutions and federations that are reliable and experienced in sports education. Particular attention has been paid to strengthening the partnership with the International School Sport Federation (ISF), a reference point for sports education for students across the world. Kinder+Sport collaborates worldwide with 4 Olympic committees and 125 federations and sports associations.

**3. Educational approach:** by putting sports education at the heart of our project, we help children grow and learn the most important values that are inherent to sports and healthy lifestyles, such as honesty, friendship, integration and trust in others. Along with our partners CONI and MIUR, the innovative Joy of Moving method – an educational method that aims to promote physical activity among children by getting them “moving” – was presented at the 2015 Milan Expo. Also presented in Milan was the project’s “Manifesto”, which lists and promotes the principles of the Kinder+Sport project. So far, the Manifesto has collected over 86,000 signatures (including authoritative representatives from various institutions and sports bodies and associations), thus broadening its reach across the globe.

**4. “Glocal” development:** the expansion of the programme in various countries, each with their own ethnic and cultural characteristics and traditions, goes hand-in-hand with a global approach that is fully coherent with the founding principles of the project.

**5. Measuring performance:** a worldwide monitoring programme has been established in order to continuously evaluate the project results.



## FY 2015/2016 GLOBAL RESULTS

The results achieved by the Kinder+Sport project highlight the consistency and continuity of the strategy, which is based on individual activities and shows significant progress towards achieving the goals of the Ferrero Group by FY 2017/2018:

- **extend the project to 30 countries across the world;**
- **get 5 million children moving each year;**
- **activate an educational programme linked to the Joy of Moving method in at least 5 countries.**

In the last year:

- **5 new countries** were involved in the project (Brazil, Colombia, Czech Republic, Romania, Korea);
- **the number of children participating has continued to grow**, with particular attention to the quality of the activities proposed;
- **collaborations with 4 Olympic committees were confirmed**: the Italian National Olympic Committee (CONI), the Dutch Olympic Committee (NOC\*NSF), the German Olympic Committee (DOSB) and the Croatian Olympic Committee (NOC);
- the great variety of sports disciplines has constantly been confirmed thanks to the **multidisciplinary nature of the project**;
- for the first time, a **collaboration between Ferrero Brazil, Ferrero Italia and Ferrero Germany** was established to promote the Joy of Moving method at the 2016 Olympic Games in Rio de Janeiro.

Thanks to the numerous partnerships that have thus far been established, the Kinder+Sport project has reached global dimensions and today involves 28 countries: Argentina, Austria, Brazil, China, Colombia, Croatia, Czech Republic, France, Germany, Great Britain, Greece, Hong Kong, Hungary, India, Italy, Luxembourg, Mexico, the Netherlands, Poland, Portugal, Principality of Monaco, Romania, Slovenia, South Korea, Spain, Sweden, Switzerland and Turkey.



**28** countries adhering

**7,197** events

**847** testimonials

**392,520** sports material kits distributed

**125** federations and sports associations

**4.4 Mil** children that have been involved\*

**4** Olympic committees

**2.4 Mil** technical kits distributed

**23** sports practiced

**11.5 Mil EUR** investments

\* Children who "got moving": the number of children who participated in the project and events promoted by Kinder+Sport.

## THE JOY OF MOVING METHOD AS A LEGACY OF THE 2015 MILAN EXPO

The educational Joy of Moving method was developed by Kinder+Sport, in collaboration with the University of Rome "Foro Italico", CONI Piedmont and MIUR Piedmont, the Municipality of Alba, the Piedmont Region and the research and development company Soremartec, which is part of the Ferrero Group. The method was finalised following three years of experimentation and research involving 36 primary and secondary schools in Alba (CN).

The Joy of Moving method has been evaluated by a prestigious international scientific committee, composed of experts in motor sciences belonging to authoritative institutions and universities of national (Universities of Rome "Foro Italico", University of Tor Vergata) and international (Universities of Chichester, Jyväskylä, Thessaly, College of New Jersey, Universities

of Georgia and Virginia Commonwealth) excellence. The committee found the method to be an **educational and sports model of absolute novelty, because it is totally different from existing ones.** It is an innovative training programme designed for children aged 5 to 12 years, based on games, playing and having fun, which is focused on motor and cognitive development, even with disabilities.

Thanks to its plenitude and to the international and authoritative network of contacts of the scientific committee, the project may be replicated, in partnership with federations and institutions, in schools and ministerial programmes of other countries to globally extend the joys of sports that are tailored specifically to children.



On the occasion of the 2015 Universal Expo in Milan, the Joy of Moving method was the main focus of the Kinder+Sport pavilion. During the 6-month-long event, **over 110,000 children, 2,000 classes and 50,000 families** directly discovered how the joy of movement could change and improve their approach to physical activity.

The main inspiration for the Joy of Moving method is play – the natural language of children and their primary source of learning. The proposed educational model of motor activity is, therefore, centred on the specific needs of each child. Moreover, the inherent variability of sports practice further promotes motor and cognitive development as well as social interaction.

Indeed, through play, each child can **develop their own skills** unconsciously, yet in a way that is deeply rooted in the child's psyche: knowledge is combined with know-how and the child acquires life skills, improves motor skills and cognitive functions as well as creativity.



The extraordinary research experience that has led to the Joy of Moving method, including its repertoire of knowledge and educational tools, is gathered within the Joy of Moving manual, entitled "Joy of Moving. Movement & Imagination. The variability of play to promote motor, cognitive and citizen development," by Caterina Pesce, Rosalba Marchetti, Anna Motta and Mario Bellucci.

This manual **describes and enhances the theoretical and methodological approach that supports this innovative method.** The manual is divided into two parts: the first part explains the conceptual and theoretical framework of the method, while the second part includes 80 cards describing different types of games, subdivided into sections relative to guiding principles and specific age groups, which can be practiced at a primary school level during physical education classes. The cards dedicated to each game are further enriched by online video tutorials, available at [www.joyofmovinghandbook.com](http://www.joyofmovinghandbook.com).

The manual is a valuable resource and useful tool to support institutional, sports and private entities looking to use the method. It is sharable and applicable to international contexts when applied in synergy with the programmes of various institutional and private partners.

## RESEARCH RESULTS BASED ON THE JOY OF MOVING METHOD

The greatest innovation of the Joy of Moving method is based on the **involvement of children in a fun, non-competitive approach to physical activity**, thus offering endless variations of play to develop both cognitive and physical abilities.

The sports and movement activities are specifically designed for children and they focus on "deliberate play", which provides greater fun and less stress for the children involved. The method is "inclusive" because it is based on the development of a

combination of physical, motor, cognitive and social abilities; this means that the method allows each child to express their potential by encouraging all children to take part in the game.

The Joy of Moving method encourages the practice and improvement of physical activity abilities using a language that children understand - the language of play. In this way, "physical education" simply and compellingly becomes the "Joy of Moving".





## HOW THE METHOD WORKS

The inherent value of this project is based on the following two fundamental principles. The first principle is based on the nature of the project itself: children are active and have the right to play, despite society's increasing sedentary habits and lifestyles. The second principle rests on the idea that the motor skills children develop are vital to helping them become "active adults" and that these acquired skills have a strong impact on children's health and quality of life.

A child that possesses great confidence in his physical abilities will be motivated to spend more time and effort in moving, thus improving and maintaining those skills. **This "virtuous circle" triggers and influences not only their motor development but also their individual social, emotional and cognitive development.** On the contrary, a child with motor disabilities will be discouraged from participating in moving and physical activities, believing nothing can be done to improve his/her potential; this further confirms his/her sedentary habits (aversion/refusal of losing).

This is why we have developed a method of "Integrated Physical Education": in addition to physical activity, the Joy of Moving method has been "enriched" by adding cognitive stimulus and specific challenges within the play activities that can directly influence the co-ordination and educational, cognitive and social success of each children involved.

The element of play as the natural language of children is based on the principle of "inclusion", through which every child in the group is involved in play (emotions). This allows each child to reach his/her own potential and acquire more awareness, thus obtaining positive feedback from the practice of physical activity (rewards).

Regarding the most important value and legacy of the method, it is clear that it will only be fully achieved in the long-term, as the project's main aim is to help children grow with happiness and joy, and eventually become active adults.

## THE EFFECTIVENESS OF THE METHOD

The research project was established in collaboration with a group of internationally renowned scientists from the University of Rome "Foro Italico". Their experience in motor sciences and childhood education has **given rise to a method that measures the positive impact of motor activities not only on physical ability but also on cognitive functioning**, such as working towards a goal, cognitive flexibility and individual adaptation (parameters that are indicative of life-skills development).

The project has involved children in 36 nursery and primary school classes in Alba (CN). The children were randomly divided into two groups, each with the same number of children - a sample group and a control group. For two years, the sample group participated in six months of motor activity and play, with particular emphasis on coordination and cognitive skills building, as per the principles of the Joy of Moving method. At the end of the pilot project, children in both the sample group and the control group underwent testing to measure their improvement in the specific area of motor skills as well as cognitive, creative and social skills, after having been directly involved in motor activities during the two-year period.

According to some relevant parameters, the results showed an evident improvement in both motor and cognitive skills acquisition in the sample group compared to the control group.

According to the findings, motor skills improved twice as much in children who participated in the Joy of Moving method, compared to the children involved in traditional physical education activities.

Regarding the acquisition of cognitive skills, the results regarding the inhibition parameter were particularly relevant; as the executive function, it is needed to regulate self-control and control of self-regulated behaviours (the ability to continue with the task at hand and suppress inappropriate behaviour, which is important for learning and in social contexts).



Thus, children involved in the method demonstrated greater inhibition efficiency – almost three times more than the behaviour observed in children participating in traditional physical education lessons.

In addition to the scientific findings, **the Joy of Moving method continues to achieve great success and appreciation among children, parents and teachers** who have participated in the activities, which were created ad hoc for different international contexts (in countries such as France, India, Mexico, Brazil, Italy).

Thanks to the manual and the work of a team of qualified trainers, the Ferrero Group expects to bring the Joy of Moving method to new countries over the next five years. This will be possible thanks to the support of qualified partners throughout the world, such as government ministries of education, Olympic committees, sports federations and universities.



## THE SIGNING OF THE MEMORANDUM OF UNDERSTANDING

The “Memorandum of Understanding” was signed on Friday, December 11, 2015 between the former Italian Minister of Education, University and Research Stefania Giannini, the president of CONI Giovanni Malagò and the president of Ferrero Francesco Paolo Fulci. As anticipated in the 2015 CSR report, the Memorandum stipulates a three-year commitment to bring the scientific heritage and values of the Joy of Moving method to schools and institutions across Italy, as presented at the 2015 Universal Expo in Milan.

The signing is considered an intangible yet invaluable legacy, so that, as the first paragraph of Article 1 of this Memorandum of Understanding states, the method may *“enhance the results achieved by the collaboration in 2015 Milan Expo and become the shared heritage of students, teachers and, in general, the entire educational community”*.

MIUR, CONI and the Ferrero Group are therefore committed to planning and promoting school programmes that are in line with the good educational practices and with the correct lifestyles listed in the Guidelines of the Memorandum of Understanding. They are furthermore committed to promoting projects that have an impact on young people’s health, with the aim of **preventing illnesses and diseases that are linked to incorrect and sedentary lifestyles**. MIUR, CONI and the Ferrero Group are also committed to carrying out **educational initiatives that enhance physical activity** and that are in line with those already presented and practiced at the 2015 Milan Expo. These commitments are viewed as tools to ensure individual well-being and important resources that should be used to serve the community.

## THE EXPERIENCE OF 7 ITALIAN SCHOOLS (EXPO COMPETITION, EXPERIENCE THE JOY OF MOVING)

The Joy of Moving method entered Italian schools for the first time toward the end of the 2015 Milan Expo. **Teachers from 7 primary and secondary schools that visited the Kinder+Sport pavilion area were offered a free training opportunity, after having participated in the photo contest, entitled “Vivi la Joy of Moving”, which ran from September 14 to October 31, 2015.**

Each school was asked to share on Instagram the photos that best describe their experience of the Joy of Moving method. Each week, a technical jury chose the best photo.

The training tour, held between February and April 2017, involved schools in 7 cities: Barzana, Cassina de Pecchi, Milan, Piacenza, Refrancore, Valfurva and Vernole. Trainers from Alba's Village+Sport, who are experts in the Joy of Moving method, offered the training opportunity to teachers and children, obtaining excellent results.

It was possible to determine the success of the tour and the general satisfaction of those who participated through the submission of a questionnaire sent to the teachers who visited the Kinder+Sport pavilion area and to those who requested additional training on the method. Teachers also expressed an evident interest in receiving information through accessible materials and additional training from the experts present.

On the basis of these requests and in line with the Memorandum of Understanding, the Ferrero Group created an educational project for primary schools during the 2016/2017 academic year. To give continuity to the project, the initiative was offered exclusively to teachers who visited the pavilion during the 2015 Milan Expo and, therefore, who already had some knowledge of this innovative educational method.

## WORK TO BRING THE METHOD ABROAD CONTINUES

### INDIA

The Joy of Moving method was successfully launched in India, during the second edition of the Baramati Summer Camp. For over a week, more than 400 children, aged 6 and 12, took part in various games and sports activities that were inspired by the philosophy of the Joy of Moving method. 18 local instructors and 4 Italian instructors, who had taken theoretical and practical training workshops at Alba's Village+Sport centre, guided the children through the activities.



## FRANCE

At the multifunctional sports centre of Temple-sur-Lot, in the south-east of France, over 750 children between 8 and 12 years experienced the Joy of Moving method for the first time. Celebrating its seventh edition this year, the initiative took place in an extraordinary naturalistic setting: along the Lot river. The children were involved in the initiative through *Secours Populaire Français*, a non-profit association working to fight poverty and social malaise. Trainers from Alba's Village+Sport collaborated with French colleagues to promote the joys of moving in the Kinder Village.



## MEXICO

From October 9 to 16, 2016, the team of trainers from Alba's Village+Sport centre continued the positive experience at 2015 Milan Expo and organized a week of training and skills exchange with Mexican colleagues to better acquaint them with the Joy of Moving method. Despite coming from different social realities, both groups of trainers shared the conviction that play and movement are extraordinary and indispensable tools in the education of young generations, resulting in healthier and more active lifestyles. With the support of local staff from the Ferrero Group, three instructors from Alba's Village+Sport centre worked with colleagues, teachers, children and adults in Mexico City and San José Iturbide.



## THE TEAM OF VILLAGE+SPORT

The Alba Village+Sport centre (also referred to as the Village) is a sports centre that promotes research, innovation and education in the area of motor sciences and sports. A scientific committee sets the objectives of the centre with great competence and expertise. Established as a pilot project in 2012, today the Village is a **multifunctional model of success and an important source of inspiration for the future**. Its uniqueness and sustainability make it easily replicable in different geographic areas and social contexts. To support its application in different social realities abroad, there are plans to develop a series of publications based on the Joy of Moving manual, whose first volume is dedicated to Summer Day Camps.

The soul of the Village+Sport centre is the team of professionals and new graduates in the field of the motor sciences. Their main purpose is to share the principles of the Joy of Moving method, developed through a three-year research project, in collaboration with important institutional partners. In order to spread the method across Italy and the world, the Village+Sport team recently visited several Italian schools and, starting from 2015, it started "exporting" the methodology to France, India, Mexico and Brazil.

## NEW PROJECTS AT THE VILLAGE

Activity at the Village+Sport centre begins in the summer with "**Summer Day Camps**". This is the start of a series of exciting days and great happiness for kids, where considerable space is devoted to games, sports activities, workshops and courses in the mornings, followed by more games in the afternoons. Trainers and educators guide children throughout the day as they get to know each other and play and grow together.

The Village+Sport centre's activities continue through to the end of summer with "**School Games**", accompanying children through to the start of the school year, by offering opportunities to complete any summer holiday homework alongside teachers instructing children in literary and scientific subjects, in addition to lots of opportunities to play sports, games and take part in workshops. There are also many educational activities allowing children to approach science in a fun way: among these is the Astronomy Laboratory, held in collaboration with Infini.to, the Planetarium

and Museum of Astronomy and Space of Turin, which has brought a real-life planetarium to the Alba Village+Sport centre. This year, the "**Singing School**" was another fun learning opportunity offered at the Village+Sport centre, thanks to the collaboration with singer Daniela Cagiano and the Curiosity Workshop with XCHE'.

Another important initiative offered to children and their families this year was the "**Sunday at the Village**" event: a day dedicated to play and movement. It featured sports tournaments and workshops according to the following motto: "Doors open to the sport", which could also be called "Doors open to families".

**"School Project"** is another very important initiative aimed at the children and schools in Alba during the academic year. Hundreds of children can embrace sports within their school, in collaboration with Village+Sport staff members, who are graduates in motor sciences and trained in the Joy of Moving method.

**“Multisport”** is a recent and unique initiative that allows all children to try different sports by exploiting the particular educational advantages of each offered, without focusing solely on one particular sport. It was established as a continuation of the activities offered during the Summer Day Camp. Its aim is to offer families another alternative to sports clubs and emphasize the importance of doing sports for pleasure and not for competition.



## A VIEW OF THE METHOD FROM THOSE WHO HAVE PARTICIPATED IN THE PROJECT

**Caterina Pesce - Associate Professor at the Faculty of Motor Sciences, University of Rome, Professor of “Physical activity for children and the elderly”:**

*“To enhance the potential that sports have on a child’s overall development and on a healthy and active lifestyle, it is crucial that preschool and school aged children experience joyful and intelligent motor activities and sports.”*

**Inder Chopra - Secretary General at Ferrero India and spokesperson for Kinder+Sport in India:**

*“Kinder+Sport stems from the knowledge that an active lifestyle is the cornerstone for healthy living. Sports provide children with important practice and skill set development that help them progress proper behaviours and acquire social and ethical attitudes, very important for their future. We aim to grow the Kinder+Sport initiative gradually to cater to and involve children across Maharashtra state and the country eventually.”*

**Christophe Mouro - Head of Institutional Relations at Ferrero France:**

*"The Joy of Moving method has allowed us to positively enrich the initiatives for children at Le Village Kinder. This is mainly because the work of the Joy of Moving team is based on educational concepts that always place an important focus on games and play: through fun, each child has the opportunity and tools to attain better self-knowledge and growth. And this would not be possible without the collaboration and sharing of experiences among our teams."*

**Cristina Mazariegos:**

*"Leading K+S "recreational communities" project in partnership with The Mexico City Sports Institute has been a very enriching experience, as it not only gives us the opportunity to bring our Joy of Moving methodology to communities, also this program has created a space of interaction between parents and kids which has been lost due to the lack of time and the children's constant use of technology.*

*To contribute to Mexican society through this successful initiative for the 3rd year in a country with serious problems of obesity in both children and adults has been a great experience, our goal for this year is to activate more than 120,000 people in México City through our weekly program and place 25 multipurpose courts in low-income communities additional to the 50 placed the previous year. In addition, in 2016 we extended the program to San José Iturbide where our plant is located, in collaboration with the Municipal Sport Commission."*

**Davide Tibaldi - Technical Coordinator of the Alba Village+Sport centre:**

*"With our visit to Mexico, we are looking further away, not so much in the geographic sense as in the temporal sense: we have found that there are very favourable conditions to start valuable long-term projects that are rooted in the territory and that are able to help it to grow."*

**Fabrizio Martino - Expert in the Joy of Moving method and Day Camp organizer:**

*"We have had great feedback and have seen enthusiastic participation in the activities we have proposed, however the most exciting and promising aspect for the integration of the method in other realities in the future was the committed collaboration of trainers at Le Village Kinder: it was not just a passage of information but of an exchange of skills; a sharing of ideas that enriched trainers on both sides. The principles of the Joy of Moving method here have found a fertile ground."*

**Gabriella Martina - Teacher at I.C. of Vernole, Castri and Caprarica, Lecce:**

*"As teachers, we have been able to see how, through movement and play, we can educate the mind as well as the body. We also discovered how to carry out motor activities in a school like ours, which does not have space for sports. We also hope that the teaching manual on motor activities and sports, which is full of operational ideas and an innovative methodology, can be distributed by MIUR so it can be used across the entire academic world."*

**Luisella Novelli - Teacher at the Refrancore Primary School, Asti:**

*"We will promote the use of your Joy of Moving method in our small school. It was great to get involved (also for teachers) and learn new teaching methodologies through movement.*

*We are proud that our experience has been mentioned in important publications on physical education. Our lessons are now highly varied and include games involving intelligence / movement / coordination."*

## A PROGRAMME OF CONTINUOUS MOVEMENT WORLDWIDE

In line with the previous years of activity, the Kinder+Sport project has continued to expand internationally by promoting programmes and activities devoted to movement among the younger generations, in an increasingly global and borderless dimension.

### THE 2016 RIO OLYMPICS AND THE PARTNERSHIP WITH ACTIONAID IN BRAZIL

The 2016 Rio Olympics were an extraordinary opportunity for the Kinder+Sport project. For the first time, three companies within the Ferrero Group, coordinated by the central team, collaborated in the realization and promotion of the project. Ferrero Italia, Ferrero Brazil and Ferrero Germany worked side-by-side to promote the Joy of Moving. Alongside CONI, and in partnership with the DOSB German Olympic committee DOSB and ActionAid Italia, **the Ferrero Group created the "Olympic Legacy for the Rio de Janeiro favelas"**, a pedagogical and social programme which featured play and games which will continue in the future with a series of training activities for the Rocinha and Cidade De Deus favelas. The main aim is to give children there a safe place to play sports, learn and grow.

Sport is a powerful tool for triggering social change: it encourages processes of social inclusion and aggregation, especially in poor and marginalized environments. Thus, the commitment to support an intervention at the end of the Olympic Games was taken with this in mind. The commitment will include leaving a legacy for the future through the development and support of training sessions for instructors and the purchase of new sports equipment.

With the special participation of ambassadors Jury Chechi, Andrea Lucchetta, Fiona May, Carlton Myers, Massimiliano Rosolino, Antonio Rossi, Elisa Santoni and Alessandra Sensini, the children of the Rio favelas have discovered the joy that comes from movement and play, and have developed a dialogue and sense of team spirit through sport.

## A CONTINUING COLLABORATION WITH ISF

The collaboration between Kinder+Sport and ISF (International Federation of Sports Schools) began with the same shared values and with the idea that sport and movement are absolutely necessary in childhood education. As such, Kinder+Sport and ISF have decided to work together to create a strong collaboration in the management of global events, such as sports tournaments, dedicated to high-school students and classes.

Established on June 4, 1972 in Beaufort, Luxembourg, ISF is the most prominent actor in the international school sports world and has the aim of creating greater opportunities for adolescents to meet and play sport. ISF is recognized by the International Olympic Committee (IOC) and is active across the world. Some of its signature events are the World Ski School Championships, which ISF has organized since 1973; the European School

Games; the Asian and Pacific School Games; and, every four years, the World Gymnasiade featuring an array of sports, such as athletics, swimming and gymnastics.

Additionally, ISF organizes and promotes sports competitions and meetings among schools around the world, establishing relationships between sports federations and school institutions, representing the latter when they are not officially represented.

By supporting the sporting events of ISF, **Kinder+Sport brings together thousands of young people from different countries, using sport as a way to create new friendships.** Having fun and playing together is the main objective of these events, even when students already have a good level of physical ability. For this reason, Kinder+Sport has created the special "Fair play trophy", dedicated to those who exemplify good sportsmanship during competitions.

## POLAND

Kinder+Sport has been active in Poland since 2008, promoting the Joy of Moving method in collaboration with the Polish Olympic committee. The programme features three main sports: sailing, swimming and volleyball.

Thanks to the partnership with the Volleyball Association, athletes Sebastian Swiderski and Piotr Gruszka have been ambassadors of the **mini-volley** tournament, which has become **the biggest event of its kind across Europe, with over 10,000 teams**. Sailing activities led by ambassador and Olympic champion Mateusz Kusznierewicz include boating excursions on the Baltic Sea, teaching and training sessions dedicated to this sport.



## SPAIN

Kinder+Sport has been active in Spain since 2006, through the partnership with Spain's national volleyball and athletics federations. The most popular programme is ***Peque voley***, which involves children aged 10 to 12. *Peque voley* events are held on weekends in the sports facilities used by national teams, in order to encourage contact between children and the Spanish champions of this sport.

Campus *Peque voley* Kinder+Sport is an annual summer camp for children aged 9 to 14, and is organised in collaboration with federal coaches.

Additionally, the ***Jugando al atletismo*** - Playing with light athletics - is a training programme for primary school children, enabling them to practice running, jumping and throwing. Furthermore, the annual event, ***Alevines campeonato nacional*** - the National junior championship - is reserved for federal-level young athletes, aged 12 to 14.

In Spain, Kinder+Sport also promotes the practice of water activities and sports, in collaboration with the Ecomar Foundation.



## PORTUGAL

Kinder+Sport began in Portugal in 2006, and since then, its activities have been growing steadily. The results have been impressive; first and foremost this is thanks to the collaboration with Portugal's Volleyball Federation.

***Gira Volei*** is a programme for children aged 10 to 12, ***Gira+*** is reserved for those aged 13 to 16 and ***Gira Praia*** focuses on beach volleyball activities. Meanwhile, the ***Kinder Cup***, which is open to all children aged 12 and over, is held at weekends across the country. Kinder+Sport also supports the Portuguese Basketball Federation, with a 3x3 national championship tournament, involving 80,000 children aged 10 to 12.

In collaboration with the Lisbon City Council, Kinder+Sport organizes in Lisbon the ***Olimpiadiadas***, a local Olympic-style tournament involving all schools in the capital.



## CHINA

In order to help as many Chinese children as possible overcome sedentary habits, the Ferrero Group introduced the Kinder+Sport project in China in 2009; since then, it has promoted an active lifestyle through various sports programmes including: **mara-thons, family sports activities and soccer and tennis tournaments** in China's main cities, including Beijing, Shanghai and Guangzhou.

Some elements of the Kinder+Sport programme in China are unique, such as the focus on integration and nutrition information dissemination and education, as well as the involvement of entire families in games and physical activities.



## ITALY

In FY 2015/2016, Kinder+Sport Italy continued its project to promote youth sports thanks to its already active partnerships with CONI and national sports federations (volleyball, swimming, fencing, sailing, basketball, athletics, tennis, badminton). 2016 was the year of the Rio Olympics and it was an important opportunity to raise awareness and mobilize thousands of young people through a dedicated communication project targeting them and their sports associations.

A lot of youth participated in the contest "**We support sport**", which supported both the Italian team and the most active sports associations promising an important reward – an economic contribution for the purchase of new sports equipment. For the contest, children from a variety of amateur sports associations created hundreds of mini-videos, performing in "The biggest ola", to exhibit their passion for sports and the Italian Olympic team, with a strong communications impact on the values and further diffusion of sports culture.



At the heart of the Kinder+Sport Italia project there are 8 smaller educational projects, one per sports discipline, which are dedicated to schools and promoted by federation partners. The activities of the educational projects precede the usual sports and competitive activities of the federations, which are supported by the Kinder+Sport project.

Kinder+Sport's numbers in Italy:

- **1.8 million young people**, aged 6 to 19, who have participated in basic and competitive sports activities;
- **180 final events** of competitive and non-competitive initiatives that have been supported by the project across Italy;
- **100 days** in which Kinder+Sport was present with a team and a village dedicated to promoting the project;
- **7 great sports champions** who, as ambassadors, have helped spread the values of the project: Andrea Lucchetta, Carlton Myers, Massimiliano Rosolino, Valerio Aspromonte, Fiona May, Alessandra Sensini and Rita Grande.



Some information on the projects carried out in collaboration with the following partners:

#### **CONI (Comitato Olimpico Nazionale Italiano)**

This year the Ferrero Group supported CONI on **National Sports Day**, with an event promoting all sports disciplines and actively involving children from across the national territory. The day of sports and fun involved **over 500,000 participants in 20 regions and more than 100 provinces and 600 municipalities**. Even the most sedentary youth “in difficulty”, who were reported to the Ferrero Group by social welfare institutes, took part in the **Educamps** dedicated to children aged 5 to 14. At Educamps, every summer each child is guaranteed a safe environment in which to practice sports and games within the selected facilities of the camp. In the first edition of the **CONI Trophy**, which is a two-stage race (one regional and one national), **32 sports disciplines were practiced** and which, in the final phase, saw the **attendance of approximately 3,000 children**. A small cameo made the Ferrero Group’s presence in Rio at Casa Italia even more social: Kinder+Sport partnered with ActionAid and CONI to develop a sports and school requalification project involving two of Rio de Janeiro’s largest favelas. The aim is to leave an important social legacy of Italy’s presence during the 2016 Rio Olympics.

### FIPAV (Federazione Italiana Pallavolo)

The latest academic project of the Volleyball Federation is “**S3**”, created in collaboration with Andrea Lucchetta. The first year involved **1,000 schools and approximately 300,000 children, as well as 1,000 affiliated businesses that supported activities.**

S3 promotes volleyball as a sport in private gyms but also in outdoor city events and at events celebrating the sport, with the aim of getting entire families to play, from children and teenagers to parents and grandparents. With the aim of involving everyone in a simple, dynamic and fun way, the project provides different game formulas suitable for each academic level, from primary to secondary schools. It is based on a detailed technical and educational programme tailored to each age group. At the heart of the project is the idea of helping children focus their energy and attention on the strong values inherent in sports, team playing and health, alongside the importance of technique and skills building, organization and communication.



### FIN (Federazione Italiana Nuoto)

“**Acquamica nuoto anch’io**” is a project of Arena, technical sponsor of the national Swimming Federation, which has also been supporting Kinder+Sport for the third year running. It involves children from primary schools and aims to bring them closer to this sport, in collaboration with ambassador and Olympic champion Massimiliano Rosolino. It is carried out in two stages, one in the classroom and the other in the swimming pool. **The first phase of the project has involved 500 elementary classes across Italy and a total of 12,500 children.**



**FIV (Federazione Italiana Vela)**

“*Velascuola*” is a national educational project by FIV, which was conceived and realized in collaboration with MIUR, in order to promote nautical culture in schools and a deeper respect for the environment. The project includes lessons on nautical sports and activities held by national instructors during regularly programmed school activities.

Kinder+Sport has partnered with the project. Through the distribution of teaching manuals and the activation of workshops and practical start-up lessons dedicated to sailing, **the project has involved 500 schools and 180 sailing associations and a total of 43,000 students.**

**FIT – FIBA (Federazione Italiana Tennis e Federazione Italiana Badminton)**

“*Racchette di classe*” e “*Trofeo tennis*” are the most important initiatives of Kinder+Sport’s partnership with the FIT and FIBA federations: the first is an intense promotional campaign dedicated to sports practice and education in primary and secondary schools, which has **involved about 450 institutes and approximately 50,000 children**; the second is the most important youth tennis tournament in the country, **with 130 phases involving about 18,000 children**.



## JOY OF MOVING AMONG EMPLOYEES

The Kinder+Sport programme has encouraged the **promotion of sport and movement also among employees of all Ferrero Group subsidiaries**, exerting a positive influence on corporate culture and involving employees from all levels, inviting them and their families to become an active part of this lifestyle change.

The international vocation of the Kinder+Sport programme is such that some countries in which the Ferrero Group operates have chosen to celebrate Ferrero's 70th anniversary precisely with sport. The Kinder+Sport Day will, in fact, be a format that can be replicated across the world, without suppressing the unique elements that characterize each specific nation. Kinder+Sport Day is a day of fun dedicated to the promotion of movement and active lifestyles, which is open to all colleagues and their families.

## PROGRAMME FOR EMPLOYEES IN THE SPAIN BUSINESS UNIT

### FERRERO SPAIN'S COMMITMENT TO PROMOTE SPORT TO EMPLOYEES

In line with the Ferrero Group's commitments, Ferrero Spain interprets and supports the values of the worldwide Kinder+Sport Joy of Moving programme, through its main goal of **promoting an active lifestyle also in the workplace**.

For Ferrero Spain, taking care of employees is not just an important moral principle but also a daily practice that is based on a sense of responsibility that goes far beyond corporate and financial goals. This responsibility takes shape through the promotion of active lifestyles to employees thanks to the Kinder+Sport programme, which has been implemented in Spain as part of the local CSR plan. Supporting and promoting active lifestyles and paying particular attention to the quality of life is the fundamental mission of the Kinder+Sport project and Ferrero Spain is committed on a daily basis to encouraging its employees, as well as

children and youth, to regularly practice physical activity. In the former case, the promotion of an active lifestyle is linked to the participation in an internal Group programme that has been developed along two fundamental lines of action.

Firstly, Ferrero Spain actively encourages all employees to participate in events dedicated to cycling, triathlons and running. It regularly informs employees about competitions that are taking place in Spain each month and covers the enrolment costs for those who wish to participate in them. Employees also receive a complete and personalized sports kit with the Kinder+Sport logos. In this way, Ferrero Spain simplifies and facilitates the adoption of healthier habits and lifestyles among employees, thus increasing their sense of belonging to the Ferrero Group.

In addition, employees of Ferrero Spain's headquarters in Barcelona are also allowed free access to a gym and sports centre very close to the company's central offices. Employees can use the gym whenever they want during the day, thus adapting their own work schedules to their practise of sports and movement.

This not only helps to improve their physical abilities but also their mental abilities, thus increasing work performance. According to a study conducted by the College of Health and Human Development, people who exercise regularly become more enthusiastic and adopt a more positive attitude in their daily lives.

It is thanks to these initiatives that **the employees of Ferrero Spain have been able to embrace a more active and healthier lifestyle, as well as improve their social and work relations.** They have done so by adopting the shared values associated with sports and with the Kinder+Sport programme, such as camaraderie, fair play, team spirit, ethics and mutual respect.



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PLANET







This section of the report is dedicated to the **Planet, a theme that the Ferrero Group deeply cares about**. For this reason, we are dedicated to combining company growth with careful consideration for sustainability and environmental topics.

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**RESPECT FOR AND PROTECTION OF THE PLANET CAN BE REACHED THROUGH A SERIES OF RESPONSIBLE CHOICES, SUCH AS THE SUSTAINABLE SUPPLY OF RAW MATERIALS AND THE REDUCTION OF THE ENVIRONMENTAL IMPACT OF PRODUCTION ACTIVITIES.**

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The Ferrero Group is aware of the important role that it plays, just like all human activities, in the delicate balance of the ecosystem. As an integral part of the ecosystem, the Group is committed to **promoting sustainable practices** throughout its entire supply chain, recognising and seizing all of the challenges that are undeniably linked to this commitment. For the Ferrero Group, excellence in quality, respect for human rights and the use of sustainable farming practices are pillars of equal and fundamental importance.

It is with the same attention to the planet that the Ferrero Group remains committed to **improving the energy efficiency and environmental impact** of its own activities. We realise that, in order to manufacture in a way that respects the environment, we need to use the best technology available and we need to use energy, materials and natural resources more efficiently. We must also be more responsible when utilising water resources.

Fully aware of this responsibility towards the planet, **we renew our strong commitment to minimizing the Ferrero Group's environmental impact** throughout the entire supply chain – from raw material sourcing, to production activities, to logistics.



# F-ACTS: FERRERO'S SUSTAINABLE AGRICULTURAL PRACTICES

**FERRERO WORKS WITH A VISION OF "SHARING VALUES TO CREATE VALUE" AND HAS ALWAYS PREFERRED TO ESTABLISH DIRECT LONG-TERM COMMERCIAL RELATIONSHIPS WITH PRODUCERS AND SUPPLIERS OF RAW MATERIALS, BASED ON DIALOGUE AND TRANSPARENCY.**

**I**n order to source the best raw materials available on the market, Ferrero has for years developed a detailed analysis and deep knowledge of the ingredients it utilises, such as their origins and their transformation processes. Today, more than ever, sustainability has become a key component of this "**culture of knowledge**".

Ferrero works with a vision of "**Sharing Values to Create Value**" and has always preferred to establish direct long-term commercial relationships with producers and suppliers of raw materials, based on dialogue and transparency.

According to this vision, "value" is created by observing and respecting a number of key principles and by embracing the responsibility to share these values with all internal and external stakeholders. In particular, Ferrero pays close attention to the production conditions of its suppliers working in the agricultural sector. In addition, **it requires all suppliers and employees to adhere to the Group's Code of Business Conduct** and comply with the Code's high and non-negotiable set of standards. This ultimately helps consolidate partnerships with all actors in the supply chain and strengthens overall transparency.

The raw materials utilised by Ferrero are produced in rural areas and rural development is an important driver in **supporting farmers, agricultural workers and their families**. For this reason, Ferrero also promotes good agricultural and social practices, in accordance with internationally recognized standards.

**WITH A FOCUS ON SUSTAINABILITY AND ON IMPROVING THE CONDITIONS OF THE RURAL AREAS AND COMMUNITIES WHERE IT SOURCES ITS RAW MATERIALS, FERRERO HAS LAUNCHED A PROGRAMME THAT EMBODIES THE GROUP'S COMMITMENT TO SOURCE SUSTAINABLE RAW MATERIALS, TITLED "FERRERO – AGRICULTURAL COMMITMENT TO SUSTAINABILITY" (F-ACTS).**

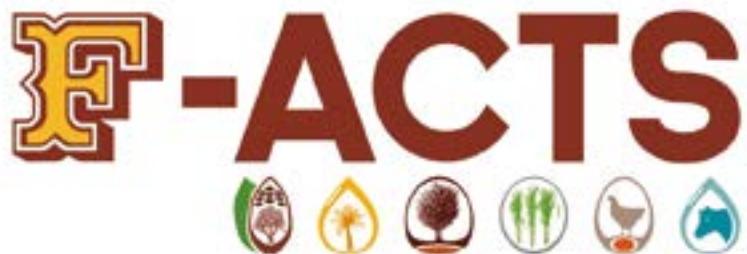
## F-ACTS

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To promote the sustainability of its agricultural supply chain, Ferrero has launched, within the F-ACTS framework, the programmes titled **Ferrero Farming Values** (FFVs), for the sourcing of its principle raw materials.

A specific FFV programme is activated for each raw material used, which pursues specific objectives and is based on a **three-pillar approach**: the development of dedicated projects and partnerships; the adoption of standards and certifications; and institutional and collective commitments.

Considering the complexity in managing international supply chains, the Ferrero Group acknowledges that individual actors cannot, by themselves, turn a consolidated production and supply chain into a sustainable one.



**ALL STAKEHOLDERS ALONG THE VALUE SUPPLY CHAIN MUST WORK TOGETHER TO ACHIEVE A SUSTAINABLE SUPPLY CHAIN.**

These three pillars must, therefore, work in synergy to complement each other. This approach is also enhanced by a series of actions and initiatives.



# F-ACTS

## THE 3 PILLARS

### DEVELOPMENT OF PROJECTS AND PARTNERSHIP



Save The Children,  
ECOOKIM

### ADOPTION OF CERTIFICATIONS AND STANDARDS



UTZ / Fairtrade /  
Rainforest Alliance

### INSTITUTIONAL AND COLLECTIVE ENGAGEMENT



International Cocoa Initiative,  
World Cocoa Foundation

## PROGRAMMES AND OBJECTIVES



**FERRERO  
FARMING  
VALUES**

COCOA

**By 2020**

100% certified as sustainable



**FERRERO  
FARMING  
VALUES**

PALM OIL

**Since January 2015**

100% sustainable certified RSPO as segregated



**FERRERO  
FARMING  
VALUES**

HAZELNUTS

**By 2020**

100% traceable



**FERRERO  
FARMING  
VALUES**

CANE SUGAR

**By 2020**

100% certified as sustainable



**FERRERO  
FARMING  
VALUES**

EGGS

**Since September 2014**

100% from barn hens for EU plants



**FERRERO  
FARMING  
VALUES**

MILK

Pursue strict quality standards and  
monitor sustainability indices

The targets set for the soy lecithin and coffee supply chains have already been met. Ferrero, therefore, maintains the following commitments:

- **100% GMO-free soy lecithin.** For Ferrero, it is a consolidated practice and the Group will remain faithful to this commitment;
- **100% certified sustainable coffee.** Selected suppliers from Central and South America usually supply our coffee. The UTZ program related to coffee "allows farmers to perfect agricultural techniques, improve working conditions and take better care of their children and the environment<sup>1</sup>".



## SUPPLIER SUSTAINABILITY PROGRAMME: ASSESSING SUPPLIERS' SUSTAINABILITY PERFORMANCE



cedures. The renewed collaboration has reinforced our commitment to improving sustainability within our supply chain.

For us, the key objective of monitoring suppliers' sustainability performance is to assess compliance with Ferrero standards and encouraging a continuous improvement process, thus also fostering long term relationships through engagement and dialogue.

With 21 criteria across four main themes - environment, social, fair business, and sustainable procurement practices - all assessment items are based upon internationally recognized standards and are in line with Ferrero's Code of Business Conduct and Code of Ethics.

Each assessed supplier was assigned a score for the main four themes resulting from several measurable KPIs tailor-made for different industrial categories. The final outcome determined the supplier's ranking and allowed him to benchmark his position against sector practices.

In July 2016, Ferrero renewed the partnership with EcoVadis, the platform enabling companies to monitor the performance of their suppliers, assessing their business practices and pro-

*1. Declaration of the UTZ Certified Coffee Program Mission.*

Alongside a simple risk assessment, suppliers identified as "at risk" from the assessment are encouraged to implement corrective actions, followed up with a re-assessment within a given time frame.

A pilot assessment project was completed in early 2016. It covered approximately 60 strategic raw material suppliers, of which some are currently implementing corrective actions.

In the same year, we launched an internal campaign assessing 5 of our agri-companies, following a second raw materials supplier assessment campaign.

Ferrero will continue its collaboration with EcoVadis over the next three years, adopting the Assessment Model as the standard tool to analyse and improve environmental, social and ethical performances across the supply chain, while establishing a platform to share best practices.

## THE SUSTAINABLE AGRICULTURE INITIATIVE PLATFORM (SAI)

To catalyze change with others in the food industry, members of the FMCG companies established the "**Sustainable Agriculture Initiative Platform**" (SAI Platform) in 2002. Today, the initiative involves some 90 companies from the food and beverage industry. It aims to build knowledge about sustainable agriculture, and communicate widely with a range of stakeholders.

Ferrero has been a member of SAI since early 2016 sharing the same view on sustainable agriculture as "the efficient production of safe, high quality agricultural products, in a way that protects and improves the natural environment, the social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species". Ferrero is actively contributing to working groups on five commodity areas: beef, dairy, arable and vegetable crops, coffee, fruit and nuts. Other working groups address water-related issues, with an online database of water management best practice, as well as Eco System Services.

SAI Platform develops (or co-develops) tools and guidance to support global and local sustainable sourcing and agriculture practices. It has developed the world's first industry-aligned "**Farm Sustainability Assessment**" (FSA) of sustainable agriculture practices. Launched in 2014, this enables farmers to assess their practices in a way that is universally recognized by the food and drink industry. The agreed set of assessment criteria for farmers meets the sustainable sourcing needs of many companies.

Any farmer can complete the assessment online and it can be used for most crop types, farm sizes and locations around the world. Other resources that are relevant to Ferrero's activities include: "**Sector Policy and Practices documents**"; "**Practitioner's Guide for Sustainable Sourcing**"; recommendations for "**Sustainability Performance Assessment**" (SPA).

The SAI Platform has also played a key role in establishing a "Global dairy agenda for action on climate change".



#### **Unique characteristics:**

1. SAI Platform is the **only global food industry initiative for sustainable agriculture**.
2. It **seeks involvement from all food chain stakeholders** willing to play an active role in the development, recognition and implementation of sustainable practices for mainstream agriculture.
3. The initiative **gathers and develops knowledge on sustainable agriculture**, which it then shares with all interested parties to reach a common understanding of the concept and of its long-term implications.
4. It has **an inclusive approach, taking into account any valuable initiatives and concepts**, for instance elements from both integrated and organic farming, as far as they contribute to sustainable agriculture.
5. It aims at developing sustainable agriculture for the mainstream agricultural produce through a **continuous improvement process** that allows for an easier and more flexible adoption by farmers, worldwide.

## COCOA



The vast majority of the world's cocoa is produced by small or family-run farms in developing countries. Contrary to industrialized agribusiness, these small-scale farmers often must rely on outdated farming practices with limited agricultural knowledge and resources. Farmers face significant challenges and encounter the complexities of economic, social and environmental issues, such as the increased competition by other crops and lack of access to and knowledge of good agricultural practices.



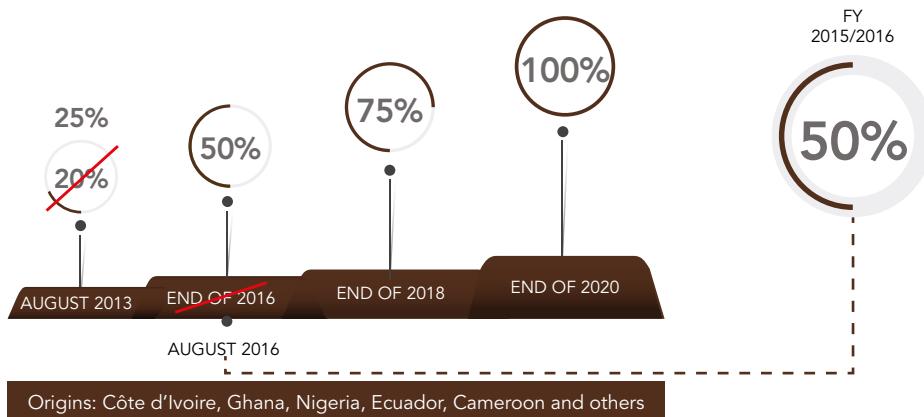
To safeguard the future of the cocoa sector, Ferrero is committed to supporting and improving cocoa farming sustainability through the implementation of the **Ferrero Farming Values Cocoa Programme**. Our programme's approach is based on three key pillars: Certification, Institutional engagement and Project partnerships.

## CERTIFIED COCOA

One of Ferrero's key commitments towards building a sustainable agricultural supply chain is to source **100% certified cocoa beans by end of 2020**.

In FY 2015/2016, Ferrero consumed **more than 120,000 tonnes of cocoa beans, of which 50% was certified as sustainable cocoa**, anticipating the milestone for 2016.

### SUSTAINABLE COCOA SOURCING ROADMAP



Currently, the Group is sourcing sustainable cocoa beans with the following certification standards: UTZ Certified, Rainforest Alliance Certified™ and Fairtrade.



ties for them and their families, preserves the environment and protects the earth's natural resources.

UTZ certification means **sustainable agriculture and better opportunities for farmers, their families and the planet**. The UTZ programme enhances farmers' knowledge of good agricultural practices, improves working conditions and ensure they care for their children and the environment. Through UTZ, farmers grow better crops and enjoy a higher income, which creates better opportuni-



systems, including wildlife habitats, water and soil.

Rainforest Alliance Certified™ farms support **a healthy environment, promote the well-being of workers and their communities and ensure efficient farming methods**. Farm workers benefit from safe working conditions and housing, medical care and access to schools for their children. Certification helps ensure the protection of eco-

The Fairtrade Cocoa Programme enables small-scale farmers to **benefit by selling more of their cocoa as Fairtrade**. For more info, visit [www.info.fairtrade.net/program](http://www.info.fairtrade.net/program). Within the Fairtrade Sourcing Programme terms, in 2013 Ferrero committed to buy 20,000 tonnes of cocoa by 2016. In 2016, Ferrero doubled the amount of cocoa it purchased from Fairtrade growers – bringing it to 40,000 tonnes over the next three years.

To help achieve the 2020 sourcing goal, **Ferrero collaborates with non-profit and farmer organizations** to address agricultural, social, environmental and business issues in cocoa farming. Ferrero also supports ongoing local projects to ensure sustainable cocoa production, whilst improving cocoa farmers' living conditions and the well-being of their communities. Here are some examples of these on-the-ground projects.



**OUR SUPPLY CHAIN IN GHANA AND IVORY COAST IN FY 2015/2016<sup>2</sup>**

N. partners	8
N. SSE (Sustainable Sourcing Entities)	44
N. sections/societies	775
N. certified farmers	47,759
N. certified female farmers	8,742 <b>(18.3%)</b>
N. ha certified	175,557
N. ha mapped	85,522 <b>(48.7%)</b>
Average ha/farmer	3.68
Average MT delivered/farmer	2.11

Trainings		Other activities	
Average N. trainings scheduled per farmer	6	N. cocoa nurseries reported	170
Average N. trainings attended per farmer	4	N. seedlings distributed	1,252,673
Average attendance rate	71% (attending above targeted)		
Average women participation	23% (of people trained)		



2. Source: O. Rousseau, 2016 -  
Annual reports  
analysis 2015-2016 campaign.

## CÔTE D'IVOIRE: PARTNERSHIPS WITH FAIRTRADE AND COOPERATIVE UNION ECOOKIM



### JOINT-MONITORING PROGRAMME WITH FAIRTRADE<sup>3</sup>

ECOOKIM is a cocoa cooperative union in Côte d'Ivoire consisting of 23 member cooperatives and approximately 10,000 cocoa producers. **It is the largest Fairtrade certified cocoa association in Cote d'Ivoire.** Since 2014, Ferrero has sourced Fairtrade certified cocoa directly from ECOOKIM. In FY 2014/2015, ECOOKIM assigned 7 member cooperatives and their respective cocoa volume to Ferrero.

#### **Project Synopsis**

Ferrero sources Fairtrade cocoa from the cooperative union ECOOKIM in Côte d'Ivoire since 2014. Ferrero and Fairtrade initiated a joint monitoring project and selected 18 key performance indicators with the objectives:

- 1) to assess the progress of ECOOKIM with regards to cocoa farming and community development;
- 2) to strengthen ECOOKIM's self-monitoring capacities;
- 3) to support further social and sustainable development of the cocoa farming communities;
- 4) to contribute to a transparent and long-term partnership.

*3. Source: Fairtrade Germany, April 2016 - Monitoring Report.*

**RESULTS OF THE FIRST MONITORING FY 2014/2015  
(TIME SCOPE OCTOBER 2014 UNTIL AUGUST 2015):**

Producers benefitting from Ferrero's commitment:

**5,411** (287 female cocoa farmers).

**19,199 ha** of aggregated area of cocoa production for the 7 selected cooperatives.

**3.5 ha** is the average plot size of the cocoa farmers involved in the project, with **1,400** cocoa trees per hectare and an average cocoa yield of **680 kg** per hectare (first certified ECOOKIM Union reported an average production of 250 kg per hectare).

The 7 selected cooperatives produced **5,758,356 kg** of exportable cocoa, of which **5,165,112 kg** has been sold as Fairtrade.

Thanks to Ferrero's engagement, the 7 cooperatives were able to sell on average **81%** of their exportable production as Fairtrade (compare to an average of 33% for Fairtrade certified cocoa producers).

**1,033,022 USD** is the amount of Fairtrade Premium as reported by ECOOKIM from Fairtrade cocoa sales to Ferrero during the evaluation period.

Part of the Fairtrade premium has been invested in water pumps and in the construction of a primary school.

Good agricultural practices focused on fertilizer application, weed management, pest management, harvesting and pod breaking, fermentation, drying, replanting and shade management.

The ECOOKIM Union employs an agro-nomic engineer who is in charge of coordinating the training activities. He leads a team conducting good agricultural practices, environmental and social trainings. 4 agricultural technicians operate in the 7 selected cooperatives.

ECOOKIM partners with standard organizations like Fairtrade, government agencies and other NGOs to offer their services to cooperative members. Trainings are delivered to cooperative management, administrative staff and lead farmers for subsequent feedback and training to their peers ("train-the-trainer" approach).

In the evaluation period **378** training sessions across various topics were held in the 7 selected cooperatives.



### PREVENTION OF CHILD LABOUR

ECOOKIM takes part in the Fairtrade program “It Takes a Village to Protect a Child” with the objective to **implement an integrated system to protect children and prevent exploitative child labor in the cocoa producing communities**. The program is carried out by Fairtrade Africa in collaboration with the local child rights NGO Fraternité Sans Limites (FSL) and supported by external donor funding.

3 out of 7 selected cooperatives participate in the program, namely Ecojad, Kapatchi-va and Soutra. Within these cooperatives **9,413 children**, belonging to the communities involved, benefit from this program.

The program is composed of two major pillars:

1. Establishment of a Child Labor Committee to undertake awareness raising activities and to develop a child protection policy. The Committee further conducts a household survey to monitor risks for children in the communities. The survey is carried out by trained Youth Monitors (18-25 years old) at community level.
2. Improvement of primary, secondary and vocational education to promote employment opportunities for young community members.

As ECOOKIM takes part in one of the pilot projects to roll out a youth inclusive community based monitoring and remediation system to prevent child labor, the union demonstrates a pioneering role. The 3 cooperatives participating in the program are trained to install cooperative-owned and self-governed prevention systems with the clear objective to expand this approach to the other member cooperatives of the union in the future.

## TESTIMONIAL

**“** I'm member of the cooperative Kapatchiva and the size of my cocoa plantation is hectares. I have four children. Since I'm member of the cooperative I receive regular training on how to treat my cocoa plantation, how to do the fermentation and what to do with my waste. I also receive premium money. My production increased from 300 kg per hectare to 500 kg or sometimes even 600 kg per hectare. With the additional money I get I can better take care of my children and my family. **”**

**Affoué Konan, 43, cocoa farmer and member of Kapatchiva (ECOOKIM union)**

### ***Experience on the ground: working with the producers on data collection***

**“** I work with the cooperatives selected for the monitoring project and support them in collecting the required data. My impression is that the cooperatives are really committed to this project and to the partnership with Ferrero. For example, when I schedule a meeting, the producers are all present. The cooperatives and their members expect improvements with regards to production but also with regards to community development from the activities with Fairtrade and Ferrero. **”**

**Tehoua Etienne, 29, agricultural economist, ECOOKIM union**

The data, which has been collected and reported online by the cooperatives, was assessed for accuracy and reliability by FLOCERT during ECOOKIM's regular Fairtrade audit in January 2016.

## IN COLOMBIA COLCOCOA PROMOTES A DEVELOPMENT PROGRAM KNOWN AS ECHAR PA'LANTE: "QUALITY COCOA IN A THRIVING COMMUNITY"

Colcocoa is a Colombian company specialized in the **export of high quality cocoa beans**. Colcocoa works with 12 cooperatives in the country and seeks to impact 4,440 cocoa growers from all over the country, their families and their communities through its development program *Echar Pa'lante*.

Following a model based on inclusion and connected prosperity, *Echar Pa'lante* was born in 2013, when Ferrero was looking for a partner in Colombia to implement a development program that works on the progress of cocoa growers seeking measurable impact results that go beyond what is traditionally known as "sustainability".

The program seeks to reach prosperity in aspects such as:

- **economic**: net income of 1.5 Minimum Wages (MW), equivalent to the family's budget;
- **quality**: 80% of the volume is suitable for export;
- **productivity**: 800 kg/ha per year;
- **social**: 80% compliance with the program Echar Pa'lante (verifiable);
- **environmental**: 80% compliance with the program Echar Pa'lante (verifiable);
- **happiness**: it is the differentiating aspect that is inherent to the other indicators.

The program's value proposition is related to all the mentioned indicators, however the main focus is happiness, improving the quality of life of the producer and later reach prosperity. To achieve this, the program focuses on the following elements:

- **Direct and committed relationship with producers and their communities.**
  - Direct purchase from producers;
  - accompaniment in the development of small producers, measuring results;
  - training, information, linkage with national and international programs.
- **Quality and professionalism.**
  - Quality in both the product and process;
  - bonus paid to producers for quality; training and focus on quality, especially in post-harvest treatment;
  - loyalty strategy, with a system of cumulative points that can be redeemed in products that benefit their crops;
  - professionalism in the relationship with producers, partners and clients.

• **Transparency.**

- Clear and open price policy with producers;
- financial transparency with partners (cooperatives, client).

• **Traceability.**

- 100% physical traceability to producers.

• **Innovation.**

- Focus on constant innovation of tools (software, software Credits, measuring results, etc.) and in business model (associations, productive models, etc.).

Colcocoa promotes the program *Echar Pa'lante* as a process of development.

This is why the program does not only seek to impact producers on measuring results, but also requires them to demonstrate that it is actually benefiting them, their family and communities.



The delivery of the program is segmented in three action groups:

• ***Echar Pa'lante*:** covering all Colcocoa producers (over 4,000 producer families);

• ***Echar Pa'lante Plus*:** program with dedicated resources and detailed impact measurement in selected clusters (about 400 producer families);

• ***Echar Pa'lante Cacaotesos (Cocoa Preneurs)*:** program with an innovation and network multiplier approach in collaboration with about 40 producer families.

**VERIFICATION AND MONITORING 2016<sup>4</sup>:**

- **4,440** producers *Echar Pa'lante*.
- **35%** of farmers are women.
- **3,153** producers of the Echar Pa'lante level and 300 of the Echar Pa'lante Plus and Cacaotesos level verified by CERES International on the impact measurement of economic, social, environmental, productive, quality and happiness. The verification process showed that:
  - there is no child labour in the fields;
  - the cocoa growers do not use banned chemicals by the World Health Organization;
  - the producers conserve primary forest located inside the productive units.
- **1,036** producers assisted with training and advice in the different cooperatives.
- **83** producers associated to projects.
- **450 kg/ha** kg/ha on average.
- **40** quality trainings to cooperatives.
- **40** Cacaotesos (*Cocoa Preneurs*) involved in a nursery project to share experiences of innovation in cocoa crops with coffee growers who want to diversify their crops.



4. Source: *Echar Pa'lante*  
own figures.

## HACIENDA LA TENTACIÓN

Within the objectives of Ferrero and Colcocoa and the development of *Echar Pa'lante*, "La Tentación", a cocoa business farm has been developed, with the following characteristics:

- **Work to benefit the cocoa cluster** with:

- cooperatives;
- technical support;
- outgrower model;
- planting material;
- provision.

- **250 hectares** with:

- agroforestry system;
- high yield – high flavor cocoa;
- precision agriculture.

- **Social and environment contribution:**

- farm in historic conflict area with low employment opportunities;
- women in cocoa team;
- family school support and events;
- biodiversity impact measurements.

- **Social impact measurements** (for 55% local community families, at least one member works in *La Tentación*)

- **Public-private initiatives** in:

- new high yield – quality – resistance varieties field testing;
- post-harvest research;
- training and education – youth in cocoa program;
- joint ventures with universities, national and international institutes.

## TESTIMONIAL



*The program Echar Pa'lante has given us much technical support. Another thing we have learned is the importance of the quality of cocoa, everything that has to do with fermentation and drying... we have learned a lot and have greatly improved the quality. We already have export-quality cocoa.*



**Magaly de Jesús Restrepo Parra,  
cocoa farmer and member of Echar Pa'lante**

## FERRERO AND SAVE THE CHILDREN TOGETHER AGAINST CHILD LABOR



Ferrero has a “zero tolerance approach” towards child labor and is committed to protect children’s rights all along its supply chain, as stated in our Code of Business Conduct. The common interest in children’s rights led Ferrero to launch a **successful partnership with Save the Children**.

The project started on March 2016 and aims at providing protection and education to children who are victims of child labor on the **Ivorian cocoa farms**, where **1.2 million children are still forced to work** in hazardous conditions, sometimes pushed to leave school or not even allowed to have access to education.

Thanks to the vast experience of Save the Children, Ferrero’s strong commitment and the constant cooperation of local authorities (Ministry of Family, Women and child, Ministry of Education), it was possible to develop the project in 3 main directions:

- engagement of local communities and institutions to increase awareness;
- child protection activities in case of exploitation, abuse and violence;
- basic education promotion to avoid child labor.

With the conviction that to fight child labor, only a holistic approach that brings together community development and child protection can be successful, this project aims to be a sustainable development engine for these communities. The target is to reach **500 children**, more than **7,500 members of 10 communities** in the Department of Soubre and **100 representatives of local institutions**.

The first eight months of collaboration are the beginning of a path that can lead to a **continuous cooperation between Ferrero and Save the Children**, as the shared experience may help to identify new projects, areas of interest and challenges that can be pursued together in order to foster the change for a better future.

**RESULTS OF THE FIRST 8 MONTHS (MARCH - OCTOBER 2016)<sup>5</sup>**

- **445** children identified for the bridge and literacy classes;
- **10** Child protection Committees and  
**6** children's groups set up and trained;
- **7** literacy classes for the bridge and literacy courses started;
- **20** volunteer teachers selected and trained;
- **3** social centers refurbished;
- **25** host families selected and trained;
- **79** stakeholders of the “referral mechanism” (coordination mechanism useful for immediate intervention) formed on child protection policy and children's right.



*5. Source: Save the Children, December 2016 - Protection des enfants vulnérables dans les communautés productrices de cacao dans le département de Soubéré en Côte d'Ivoire - Ajournement pour Ferrero.*

## PALM OIL



The Ferrero Group sourced in FY 2015/2016 approximately 185,000 tonnes of palm fruit oil, around 0.3% of the world's total palm oil production, which is about 58 million tonnes of the world production according to official statistics (Oil World 2016).

Ferrero believes it has **a significant role to play in leading 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.

We require all our suppliers to adhere to the Ferrero Code of Business Conduct, in order to strengthen the long-term partnership with all actors of the supply chain and increase transparency. Thus, the Ferrero Group has been working towards a responsible supply of palm oil.

Since 2005, we have been a member of the Roundtable on Sustainable Palm Oil (RSPO) and have been systematically investing in segregated certified palm oil.

**SINCE JANUARY 2015, FERRERO PRODUCTS ARE PRODUCED WITH ONLY PALM FRUIT OIL THAT IS 100% SUSTAINABLE PALM OIL CERTIFIED RSPO AS SEGREGATED.**



Yet, Ferrero's responsibility does not stop at certification, which is just the first step in meeting our employees' and consumers' expectations.

With a vision towards sustainability, Ferrero has launched the "Ferrero - Agricultural Commitment to Sustainability" (F-ACTS) framework in order to improve the conditions of rural areas and their communities where Ferrero sources its raw materials. Within the context of this larger endeavor, **the Ferrero Farming Values Palm Oil (FFVpo) program was created specifically for palm oil communities.**

SINCE JANUARY 2015

100%



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#### FERRERO PALM OIL SUPPLIER MILLS AND ESTATES

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Ferrero acknowledges that raw materials are produced in rural areas and that rural development is the real driver to support farmers, workers, and their families.

Within the F-ACTS framework, there is distinctive commitment devoted to responsibly sourcing palm oil through the **Ferrero Palm Oil Charter**, which is effective since 2013 and requires the following of our suppliers:

1. Provide fully traceable oil, while including smallholders.
2. Not clear high carbon stock forests.
3. Not use fire to clear land.
4. Not plant on peat soils.
5. Protect orang-utans and other endangered species by maintaining high conservation value areas.
6. Report on the greenhouse gas emissions of their production.
7. Respect human rights, including the right to free, prior, and informed consent of indigenous and local communities.
8. Recognize, respect and strengthen the rights of workers.
9. Not use Paraquat.
10. Actively fight corruption.

The Charter addresses the leading causes of deforestation and supports the conservation of the environment, community needs and economic benefit and viability. In order to ensure that its Charter implementation is robust and credible, **Ferrero has developed the Verification Protocol**. The Protocol has been reviewed by our suppliers and key stakeholders and finalized during 2016.

As a demonstration of Ferrero's engagement with its suppliers, the Protocol will allow the definition of roadmaps with each Ferrero supplier to address specific gaps and needs identified against Ferrero's policies.

With the purpose of identifying gaps in comparison with the Charter, Ferrero has been engaging with its major suppliers

and has increased visibility to the oil palm growers. In collaboration with The Forest Trust – TFT, desk reviews as well as onsite visits to the plantations have been completed in order to identify the gaps between the policies, procedures and field practices with Ferrero Palm Oil Charter requirements.

TFT, whose teams work across the world to help transform supply chains for the benefit of people and nature, supports Ferrero in the implementation of its commitments. Those commitments aim at **achieving full FFB (Fresh Fruit Bunch) traceability** to the growers that the Group is sourcing from, visiting that the plantations and providing recommendations for meeting Ferrero Palm Oil Charter requirements where necessary.



## **FERRERO, EVALUATED BY GREENPEACE'S PALM OIL SCORECARD, COMES OUT AS A LEADER**

Greenpeace International released its latest “Palm oil scorecard” in 2016. Ferrero has been categorized as “on track” to ending deforestation for its sustainable palm oil efforts.

Having surveyed 14 global consumer goods manufacturers with “no deforestation” policies in place, Greenpeace has analysed how they are progressing in the implementation of their policies and their direct impact on the ground.

Ferrero, in addition to being identified as the only company to be able to trace nearly 100% of its palm oil back to the plantations, was recognized as one of the leading companies with a strong responsible sourcing and industry reform strategy. This affirms the positive and effective progress of Ferrero’s long term and multifaceted palm oil strategy.

Ferrero will continue on its journey towards the full sustainability of its palm oil supply chain, engaged with industry and non-profit organizations through responsible and transparent actions, giving its relentless contribution to the sustainable innovation of the palm oil industry.



To view the scorecard, you can download from the following link: [www.greenpeace.org/international/Global/international/publications/forests/2016/gp\\_IND\\_PalmScorecard\\_FINAL.pdf](http://www.greenpeace.org/international/Global/international/publications/forests/2016/gp_IND_PalmScorecard_FINAL.pdf)

## WHY DOES FERRERO USE PALM OIL?

Palm oil is used in a variety of our Ferrero products, along with other attentively selected ingredients, for three reasons:

- the presence of palm oil can be **adapted in different quantities to the requirements of each recipe**, since some require more creamy fillings, others a crunchy texture, and in some cases both, and – what's really important – without resorting to the hydrogenation process, which produces “trans fats” that have been recognized by the authorities and the scientific world as particularly harmful to health;
- it contributes to the **balance with other ingredients** (such as hazelnuts and almonds) enhancing their taste, since it is odorless and tasteless, after the refining process;
- it helps to maintain the **unique taste of Ferrero products** along the whole shelf life, because of its higher stability to oxidation compared to other vegetable oils.

## TRACEABILITY, THE FIRST STEP TOWARDS UNDERSTANDING WHERE PROBLEMS ARISE AND FINDING SOLUTIONS

In 2016, Ferrero’s traceability achievement was threatened by the loss of credibility of some large suppliers whose actions shocked the industry and compelled us to largely revise our supply base.

**Ferrero indeed requires its suppliers to act consistently in a sustainable manner.** Even if unrelated to its supply chain, Ferrero considers it unacceptable if any supplier faces documented complaints. Suppliers unprepared to engage or address compliance issues will face consequences and eventually, will be excluded from Ferrero’s supply chain. To be reconsidered, they have to provide evidence of change through concrete actions.

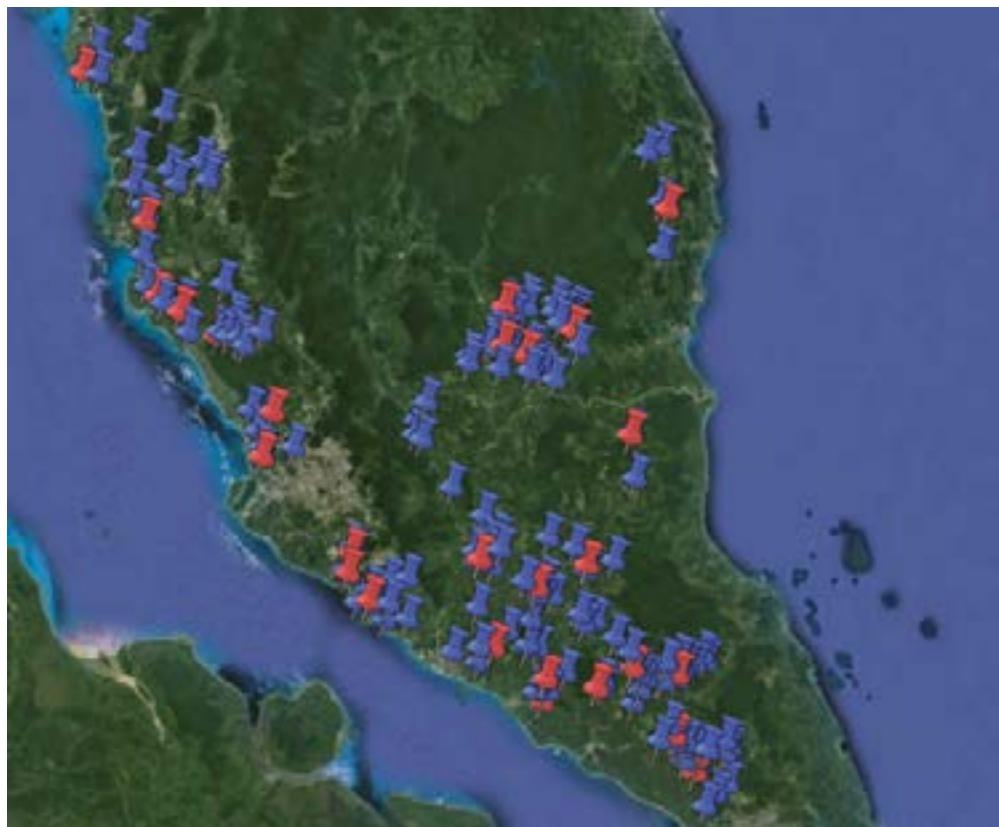
We put our commitment into effective practice in 2016, resulting in the suspension of our suppliers accounting for nearly 50% of our total palm oil volumes. This meant that Ferrero has had to drastically

modify its sourcing strategy to continue to ensure 100% RSPO certified segregated palm oil, supplying more from existing, reliable suppliers and from new ones.

In light of these supply changes, we had to revise and even restart activities aimed at full traceability previously achieved in December 2015. However, we are pleased to confirm that between January and June 2016 **Ferrero reached 100% traceability of its palm oil sources back to 86 mills and 98.5% traceability to 447 plantations.** In total we have about 36,500 small-holders in our supply chain.

Ferrero sources its palm oil supplies accordingly: Malaysia (92.46% of the annual volumes used of palm oil certified RSPO as segregated), Papua New Guinea (5.97%), Brazil (0.64%), Indonesia (0.51%), Costa Rica (0.15%); Colombia (0.09%), Guatemala (0.09%); Salomon Islands (0.05%), Honduras (0.04%).

FERRERO PALM OIL SUPPLIER MILLS (RED) AND ESTATES (BLUE) IN PENINSULAR MALAYSIA, REPRESENTING MORE THAN 80% OF TOTAL SUPPLY



**GOING BEYOND CERTIFICATION: "TALK THE TALK AND WALK THE WALK"**

Ferrero has always given the utmost importance to offering consumers products of the highest quality, freshness and food safety. What's more, our products contain carefully selected raw materials that respect both people and planet. However, our engagement did not stop here. Aware of the responsibility that comes with having leading global brands, we are committed to leveraging this position to **transform and innovate the palm oil industry**.





Within this context, Ferrero's membership with the POIG (Palm Oil Innovation Group) in November 2015 represented a natural step to carry out our commitments and actions on a credible and innovative platform.



Ferrero actively supports the POIG, a multi-stakeholder initiative with a mission to transform the palm oil industry, and break the link between palm oil, the destruction of forests and peatlands, and the violation of human and labour rights.

Founded in 2013, the initiative was developed in partnership with leading NGOs as well as progressive palm oil producers. **POIG aims to support the RSPO by demonstrating that innovation and leadership in responsible palm oil production is possible.** POIG's palm oil grower members demonstrate that the adoption of innovative best practices is economically viable. The group is developing new models for best practice in the sector and advocates for these improved practices to become mainstream.

Ferrero shares the POIG's vision to "break the link between palm oil and deforestation, and human, land and labour rights violations".

Visit also: [www.poig.org](http://www.poig.org).

## NO EXPLOITATION



In order to provide our suppliers with effective guidelines to comply with the “no exploitation” requirements of the Ferrero Charter, in April 2016 Ferrero endorsed the [“Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance”](#). The document was released in March 2015 by a wide alliance of international human rights and environmental organizations around a common platform as it pertains to fair labor working conditions.

In November 2016 this document then led to the launch of the POIG publication “Palm Oil innovations: Labour Rights”,

which Ferrero, as a POIG member, integrated into its Charter. The document outlines **how to ensure that the rights of workers are respected by palm oil growers**. It also advises the RSPO on how to reinforce its current “Principles & Criteria” on this topic in the upcoming review.

Any supplier gaps or issues with Ferrero's policies, identified through the desktop and on site assessments in the areas of “no-exploitation” and other social issues, will be managed by tailor made roadmaps of the Verification Protocol.

## NO DEFORESTATION



Ferrero endorsed the HCS Approach (HCSA), a methodology launched by a large platform of stakeholders enabling companies to determine forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.

Ferrero welcomes the efforts of relevant stakeholders on the convergence between the HCSA and HCS+ approaches

“on a single, coherent set of principles for implementation of companies’ commitments to ‘no deforestation’ in their palm oil operations and supply chains”.

The convergence results in a single and robust toolkit that, during 2017, will give indications to Ferrero on how to **unlink deforestation from the palm oil production.**

## TRACEABILITY AT WORK: APPLYING GEOSPATIAL MONITORING

The achieved traceability means that, by the end of 2016, **we have been able to identify the name, ownership and the location of the supplying plantations**, including coordinates. Furthermore, we have systematically started collecting the maps of plantations, where data was available from official sources.

Ferrero is constantly embracing emerging technologies and innovations to maintain a pole position in the industry. It is widely accepted that remote sensing technologies available today are able to differentiate between replanting and deforestation. Furthermore, satellite and radar images taken in near-real time at regular intervals can be used to monitor land use change over a given time.

Maps of plantations, such as spatially explicit mapping of our suppliers, allow us to carry out agro-ecological assessments necessary for the strategic planning of our supply base and importantly, they also allow us to evaluate historical and ongoing land use dynamics. We actively collaborate with IIASA – the International Institute for Applied Systems Analysis – in the area of land use change modeling.



In order to put theory into practice, Ferrero applies its high-level traceability to verify compliance with its palm oil policy.

Within this context, Ferrero began a pilot project called "Starling" at the end of 2016, in order to test remote sensing technologies for monitoring forest cover change. Starling is a new service developed by a consortium between Airbus Defence and Space, The Forest Trust (TFT) and SarVision. Geospatial assessments like Starling will be able to provide a credible tool in the long-term to check if suppliers comply with Ferrero's no-deforestation principles.



## FERRERO VERIFICATION PROTOCOL

With the availability of the 2016 traceability data, we have completed the desktop assessment of suppliers, identifying their status on social and environmental topics, as well as any gaps compared to the Charter. This assessment enables us to identify the priority plantations to visit in order to **request improvements on their activities**.

After the completion of these visits, we will be able to start running the third party verification process according to the “Ferrero Verification Protocol”. It will help determine if our suppliers are effectively meeting the Ferrero Palm Oil Charter requirements.



## FERRERO PALM OIL SUPPLIERS

Our main suppliers for the current period reporting period are:

**AAK**  **FUJI OIL EUROPE**



## SUSTAINABILITY IN SHEA AND SAL

Shea butter is processed from shea nuts and is used to enhance the taste and consistency in Ferrero's products. Shea trees are grown naturally at the Saharan belt across numerous countries in West Africa and is collected traditionally by local women. Our ongoing collaboration with our shea supplier AAK continues to **support the long-term sourcing of sustainable and traceable shea in Burkina Faso and bordering countries**. By empowering and educating women to treat the shea in the best possible way from collection to storage, the project helps them generate more income from producing higher quality shea kernels and trading directly the fair trade principles with women's group, giving them full freedom to choose whom to trade with.

Shorea (sal) butter is obtained from the fruit of the sal tree (*Shorea Robusta*) in India. The butter is extracted from its fruit seeds and then further processed and refined to obtain a light colored butter, which has a low odor and smooth, dense texture, suitable for cosmetics as well as food. The butter is used to enhance the consistency in Ferrero's products.

With the intention to increase the quality of livehood of local communities, Ferrero confirms that in 2017 it will begin working with a credible NGO to support its supplier like AAK to **further increase benefits for their shea growers**.

### For more information:

[Ferrero Palm Oil Charter](#)

[Ferrero's palm oil progress report](#)

[Ferrero's third palm oil progress report](#)

[Ferrero's fourth palm oil progress report](#)

[Ferrero's fifth palm oil progress report](#)

[Ferrero's sixth palm oil progress report](#)

[Ferrero's seventh palm oil progress report](#)

## HAZELNUTS



**and products.** According to the sustainable hazelnut sourcing roadmap, **Ferrero will reach 100% traceability in 2020.**

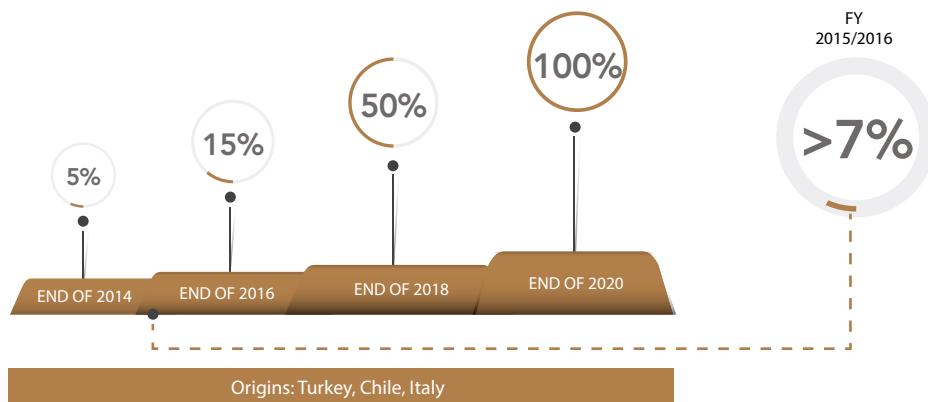
### Why is traceability important?

Traceability is the first step for a sustainable supply chain. Only through in-depth knowledge of all actors of the supply chain is it possible to build strong sustainable programs on the ground. Traceability to the origin means knowing the producers, their needs, how to meet these needs and be able to measure the impact of actions on the ground.

By the end of FY 2015/2016, **the Group achieved traceability for more than 7% of its sourced hazelnuts.**

In Italy, the “Supply chain Management System” project was launched to formalise Ferrero’s traceability system for its purchased volumes. Through this project, Ferrero has become a leader in the commitment to launch an inclusive approach to material sourcing, involving all levels of the supply chain.

### SUSTAINABLE HAZELNUT SOURCING ROADMAP



## TURKEY: FERRERO FARMING TURKEY PROGRAMME

Turkey produces around 75% of the world's hazelnuts annually. In this country, Ferrero remains the largest buyer and, for this reason, in 2012, **the Group decided to start and develop the Ferrero Farming Turkey (FFT) programme** with local and international partners. As already mentioned in the previous CSR reports, Ferrero has always paid special attention to relations with its Turkish hazelnut suppliers regarding high quality and safety standards as well as a number of ethical, social and environmental issues.

Since its launch, the project has already shown some positive results in the Turkish Black Sea region. More importantly, for the very first time, Ferrero has and continues to establish a trust-based relationship directly with the producers, engaging them in activities to **further improve their farming skills and foster rural development** in areas of significant rural-urban migration.

Ferrero formed a team of agronomical engineers that are providing assistance to the farmers throughout the hazelnut producing areas of Turkey. Agriculture is characterised by cycles that guide farmers according to crop calendars and to the observation of the environment. FFT is developed and shaped based on the agricultural calendar to provide producers with technical assistance and expertise when needed. Local teams of agricultural technicians have been established in strategic areas in hazelnut producing regions.

The 76 skilled and motivated young professionals (54 agricultural technicians and 22 field workers) offer farmers free-of-charge consultancy in:

- fertilizer input evaluation and application;
- pest and disease control;
- weed control;
- pruning;
- harvesting/mechanization;
- water and waste management.



All these points are formalised in a technical plan, the **FFT Hazelnut Production Standard**, a document that precisely outlines the best practices of hazelnut cultivation.

After having assessed its implementation with hazelnut-growers through a two-year project, Ferrero realised that it needed to update its Production Standards to ensure they could successfully respond to the dynamics of the hazelnut-growing market.

Within the scope of turning part-time farming into an agribusiness, one key FFT objective is to enhance farmers' capacity of discerning the quality and value of the hazelnuts they grow. Producing quality hazelnuts on a regular basis enables farmers to become more resilient to plan their investment and return, and eventually continue the farming legacy of the family. Through dedicated FFT drying stations, the free-of-charge service allows farmers to dry their hazelnuts to perfection, while preserving the quality from the previous production stages before storage.

Guided by specific criteria related to production standards, farmers have turned up in great numbers to utilize the 54 FFT drying stations strategically located throughout the hazelnut-growing regions.



Since 2012, Ferrero's plan on sustainable procurement has included the involvement of leading global certification firm, **Scientific Certification System** (SCS Global Services, [www.scsglobalservices.com](http://www.scsglobalservices.com)), commissioned to develop concrete action on the ground in Turkey.

In FY 2015/2016, during the harvest season, specific audits on the FFT supply chain were carried out by SCS and local auditing firms to prove the commitment and compliance of the producers to the FFT Hazelnut Production Standard. A representative sample of 126 farmers was selected through rigorous criteria and visited by the auditors during harvest practices.

On February 2016, the Hazelnut Company hired 19 Social Officers who are responsible to promote **“Good Social Practices” into hazelnut farmers community**. These 19 young professionals have backgrounds in social security, sociology and teaching.

## FFT PROGRAMME NOW HAS 19 NEW SOCIAL OFFICERS ON THE HAZELNUT AREAS



### PRIMARY PURPOSE

To provide farmers with Good Social Practice (GSP) training and social assistance related to any social and labour issues; support the implementation of the FFT social initiatives in Turkey; participate in the implementation of the Internal Control System (ICS).

### TASKS AND ACTIVITIES



## GOOD SOCIAL PRACTICES TRAINING FOR HAZELNUTS IN TURKEY

In parallel to the technical training and by recognizing farmers as key players in tackling the social issues and farming business transformation, FFT aims at promoting the transition to responsible agriculture and building farmers capacity on understanding the Turkish regulatory system through social dialogues with them.

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### FFT HAZELNUT PRODUCTION PROGRAMME GOOD SOCIAL PRACTIESES TRANING ATTENDANCE NUMBERS

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YEAR	2013	2014	2015	2016
PARTICIPATING NUMBER	1,698	3,600	8,842	20,830

The farming community is invited and actively engaged in the meetings by FFT Social Officers team, in which **we share needs, concerns, idea and solutions regarding encountered social issues in farming**. The dialogue also focuses on helping farmers to understand relevant Turkish laws and regulations related to worker employment. The discussion is guided by the areas included in the production standard, including:

- ensuring appropriate labour conditions for young workers aged between 15 and 17;
- safeguarding the labour rights of young workers operating as family labour;
- ensuring equitable wage standards and transparent payment system;
- limiting working hours to adequately protect personal health and family conditions;
- eliminating social discrimination and harassment at the workplace;
- ensuring adequate working and living conditions for workers;
- maintaining strict health and safety standards.



## PUBLIC-PRIVATE PARTNERSHIP WITH CAOBISCO AND ILO

Ferrero continued to support and participate in the extended public-private partnership with **Caobisco** (European Association of Chocolate, Biscuit & Confectionary Industries) and the **ILO** (International Labour Organization) in Turkey, for a project named "Integrated model for the elimination of Worst Forms of Child Labour (WFCL) in seasonal agriculture in hazelnut harvesting in Turkey". This extended project was developed on the pilot project model "Elimination of Worst Forms of Child Labour in seasonal commercial agriculture in hazelnut harvesting in Ordu" in 2013, 2014, 2015 and 2016.

The overall goal of the project is to contribute to **the elimination of the worst forms of child labour** in seasonal agriculture, in line with the Turkish Government's strategy. Specific objectives are as follows:

- **to contribute to the elimination of the worst forms of child labour** in seasonal hazelnut harvesting simultaneously through activities in the East Black Sea Region and the West Black Sea region, as well as selected cities in the South East Anatolian Region where seasonal agricultural workers are densely populated;
- **to prevent children from working** by ensuring that they have an uninterrupted school education when they have to travel with their working families.



Below is some quantitative information on project outcomes within hazelnut harvesting season in FY 2015/2016<sup>6</sup>:

- Total number of **1,033** seasonal worker families was reached in targeted districts of Ordu, Düzce and Sakarya; **202** of them were provided with individual counselling, rest were benefited from group counselling sessions.
- Total number of **1,165** children (4-16 age groups) was reached, **719** of them (326 girls and 393 boys) were withdrawn or prevented from working through the provision of education services, the rest benefited from other services.
- Total number of **41** rural intermediaries (20 in Sakarya and Düzce; 21 in Ordu) were reached and provided with counselling and training sessions.
- Total number of **75** hazelnut garden/plantation owners (55 in Sakarya and Düzce; 20 in Ordu) were reached, interviewed and provided with individual counselling sessions.

## NEXT STEPS IN FY 2016/2017

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### WOMEN FARMER TRAININGS



*6. Source: International Labour Office – Interim Technical Progress Report – Turkey (1 July 2015 – 31 May 2016) – Project code: TUR/15/02/CAB.*

Beyond the hazelnut farming community, **FFT also wants to reach out to the wider society** to raise awareness in protecting children's rights and creating social awareness through a series of training campaigns, which will be led by the FFT Social Officers team.

The aims are:

- to raise the social awareness of women;
- to firstly impact women themselves and then their children's lives in a positive way;
- to prevent child-labour by raising healthy children and generations with a long term perspective; sustainable agriculture due to healthy hazelnut production; good agriculture and good social applications;
- “healthy children... healthy society... healthy agriculture...”

## FERRERO HAZELNUT COMPANY

### A FULLY INTEGRATED VALUE CHAIN



The Ferrero Group operates within the hazelnut supply chain to ensure a constant supply of quality hazelnuts throughout the whole year. With the acquisition of the Stelliferi Group and the Oltan Group, **Ferrero now operates along the entire hazelnut supply chain:** from the field, from Ferrero's farms and an intense research and innovation program, to the industrial processing phases, to the sale to companies working with semi-finished products, achieving, in practice, a totally integrated food supply chain model.

The greater level of supply chain coverage, from processing to sales, is in addition to the running of Ferrero's farms, which are managed by the so-called "green collars" and other professional figures, operating in the cultivation and harvesting of hazelnuts.

At the end of 2014, this integrated management led to the birth of the **Ferrero Hazelnut Company (HCo)**, with the aim of bringing together all actors operating within the hazelnut supply chain under

the same management: from the cultivation of farms, the development of hazelnut cultivation strategies by farmers, agronomic research and development, to sourcing, industrial transformation and the sale of products and semi-finished products containing hazelnuts.

As of 31<sup>st</sup> August 2016, over 4,000 people<sup>7</sup> were collaborating within the Ferrero Hazelnut Company (HCo), distributed between six Ferrero farms (in Chile, Argentina, Georgia, South Africa, Australia and Serbia), eight processing plants (located in Italy, Chile and Turkey) and five Business units (Luxembourg, Italy, Turkey, France and the United Kingdom).

The Group's new role through the Ferrero Hazelnut Company led to a redefinition and a widening of its scope of action. Previously the Group operated only at a procurement level, whilst today, thanks to the HCo, it has acquired considerable know-how in hazelnut processing and has become one of the major players in the global hazelnut sector.

7. This number includes Ferrero's external collaborators, such as temporary workers, trainee internships and other forms of direct collaboration, with the exception of service contracts.

## THE HAZELNUT COMPANY (HCO)

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The Hazelnut Company (HCo) is structured in three main corporate units:

- AGRONOMY
- TECHNICAL
- SOURCING AND TRADING

### AGRONOMY UNIT

#### THE FERRERO AGRIFARMS, THE OUTGROWING UNIT AND AGRICULTURAL IMPROVEMENT AND INNOVATION

The activities of this unit are strongly integrated: currently they all operate with the double objective of expanding the cultivation of hazelnut and improving the quality of the harvest on a global scale.

**The Ferrero Agrifarms** are located in areas devoted to the cultivation of hazel trees and are HCo's agronomic "research laboratories". For further information concerning the farms' activities please refer to the reading section at the end of this chapter.

**The outgrowing unit** deals with promoting the cultivation of hazelnut trees amongst third party farmers through the sustainable development of their supply chain, by also supporting Ferrero's farms. They also promote the development in

areas in which the cultivation is either non-existent or not well organised. The outgrowing unit will support local institutions and communities to demonstrate the agronomic feasibility and economic profitability of the investment in the hazelnut sector. They will also provide agronomic training and will promote and communicate the initiatives effectively in the right way.

#### Agricultural improvement and innovation

Being among the largest hazelnut users globally, Ferrero is committed to drive sustainable changes in the hazelnut production sector promoting specific projects (such as FFTv) aimed to increase the quality and efficiency but also to drive innovation.

A team of agronomists is dedicated to fieldwork and to experimentation, with very advanced instruments, techniques and projects, such as, the following projects planned for the following fiscal years:

**1. CMCC - Long-term climate change and seasonal prediction model**, to provide information that would enable a greater understanding of how climate variability may affect the hazelnut production in the near future.

**2. Hazelnut Agro-Ecological Zone (AEZ) development**, to understand the potential of land for cultivation, both in the current situation and under different climate change scenarios.

**3. "tHIRSt" water utilization efficiency model**, for a more appropriate water resource management.

Furthermore, basic scientific research is promoted and supported through the intensification of collaborations with the most important research bodies and universities, including some of the greatest world experts in the hazelnut sector.



## TECHNICAL UNIT

### PROCESSING, TECHNICAL IMPROVEMENT AND INDUSTRIAL QUALITY

With more than 70 years of experience, Ferrero has developed the ability to work and transform hazelnuts **setting up the best processes, techniques and machineries**, for example in the roasting phase, but not only.

With the acquisition of the Oltan Group and the Stelliferi Group and the consequent birth of the HCo, this approach aimed at innovation and continuous improvement is now applied to the processing phase, from cracking to selection and storage of hazelnuts.

Everything occurs in full compliance with quality and food safety standards that are becoming increasingly stricter with reference to the existing regulations.



## SOURCING AND TRADING UNIT

### GLOBAL TRADING: PROCUREMENT E B2B SALES & MARKETING

The HCo is one of the **main suppliers of the world hazelnut market**, not only for the Ferrero Group but also for other large users.

The product range, exported at a global scale, includes:

- |                      |                     |
|----------------------|---------------------|
| - Shelled hazelnuts  | - Chopped hazelnuts |
| - Natural hazelnuts  | - Hazelnut flour    |
| - Roasted hazelnuts  | - Hazelnut paste    |
| - Blanched hazelnuts |                     |

In this setting, all clients, including the Ferrero Group, can benefit from the investments made by the HCo in agricultural research, in the improvement of quality and in the programs to ensure production sustainability.

## FERRERO'S AGRIFARMS

Ferrero's hazelnut agricultural companies (the Agrifarms) are owned and managed directly by the Ferrero Hazelnut Company. They are located in new areas considered suitable for hazelnut cultivation and development. The Agrifarms are the HCo's agro-nomic "research laboratories", as true model farms with a triple function:

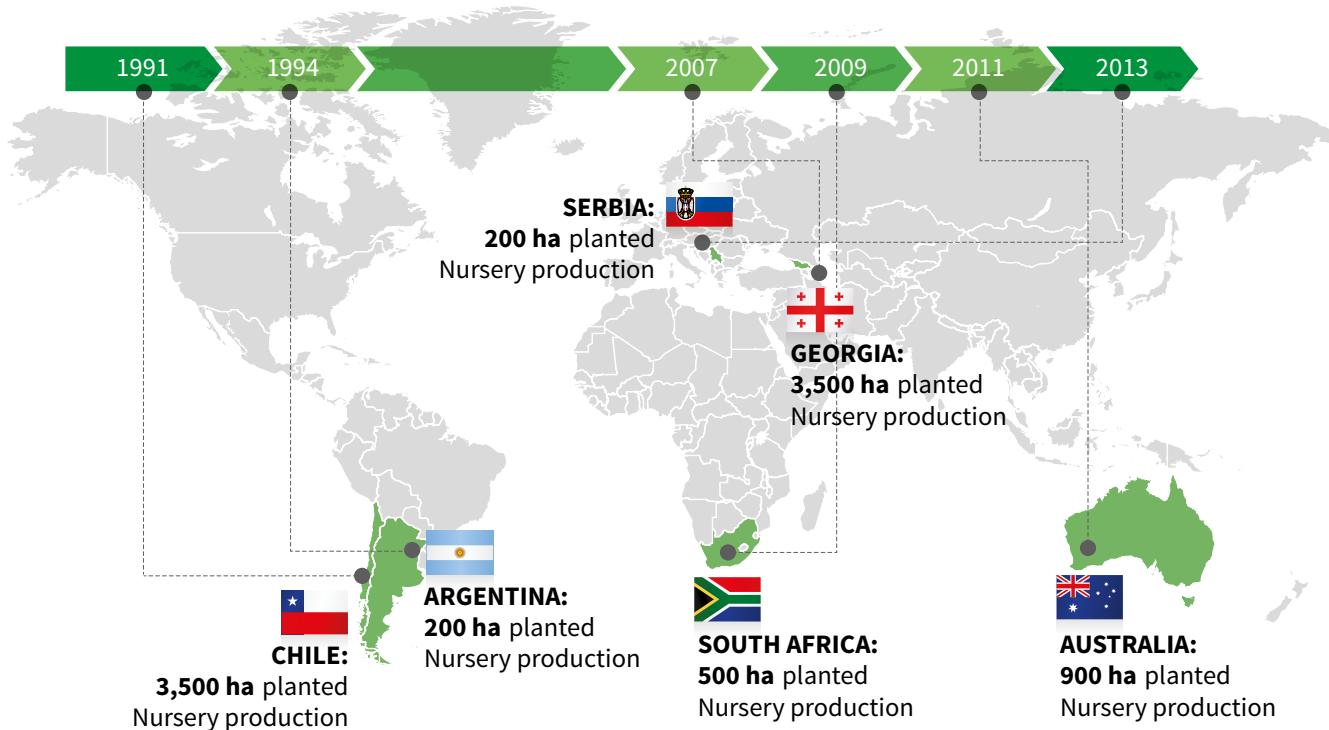
**Experimentation:** to verify the adaptability of the different varieties of hazelnut to local agricultural and climatic conditions and experiment with different agronomic techniques;

**Demonstration:** to encourage and promote the cultivation of hazelnut amongst local farmers;

**Productivity:** to progressively guarantee a part of the Ferrero hazelnut crop.

Part of the land is devoted to nurseries, the true storehouse for the future development of the supply chain, allowing the cultivation of seedlings of selected varieties, which are then sold to local farmers at a fair price. The HCo also offers to local farmers technical assistance, consultancy and training to cultivate their plantations in the best possible way. During FY 2015/2016, HCo organized several training initiatives, which saw **the participation of over 1,300 people**.

### FERRERO'S AGRIFARMS DEVELOPMENT

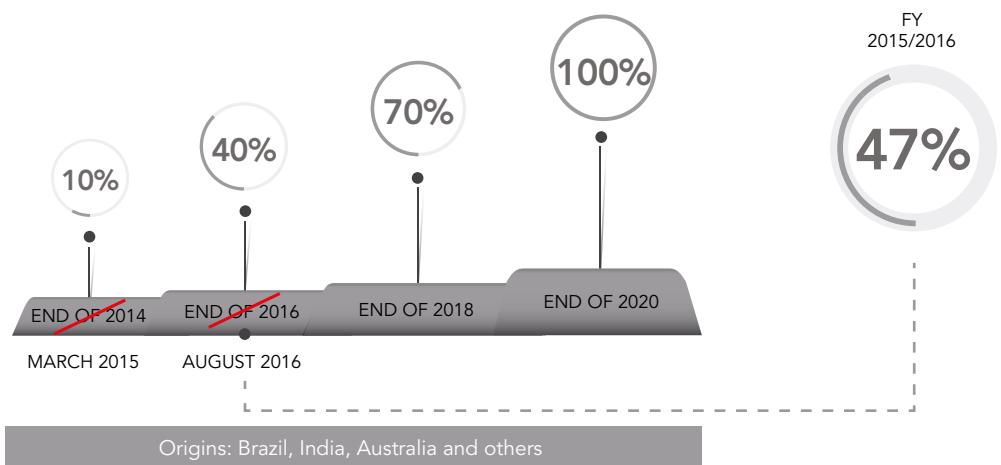


## SUGAR



In FY 2015/2016, the total volume of sugar purchased by Ferrero could be broken down into approximately **1/4 refined cane sugar and 3/4 beet sugar.**

### SUSTAINABLE CANE SUGAR SOURCING ROADMAP



Ferrero has maintained and committed to strong **trust-based relations with numerous agricultural cooperatives and sugar producers.** The Group has been collaborating for decades with some suppliers, who extensively provide us with high quality sugar. To support the development of sourcing from other sugar producing countries, the Procurement and Quality teams have put in place the baseline selection procedure for new suppliers. This guarantees that the raw material always meets the Group's high quality criteria, through its internal auditing system.

As mentioned in previous CSR reports, **Ferrero sources 100% non-GMO sugar.**

### BY 2020, FERRERO IS COMMITTED TO SOURCE ALL REFINED CANE SUGAR FROM SUSTAINABLE SOURCES.

By systematically devoting resources to evaluating the currently available certification schemes, namely their robustness, on-ground impact, resource and cost efficiency evaluations, we are identifying further possibilities to expand our sustainable sugar cane supply chain.

Furthermore, intensive discussions and field visits devoted to assessing the technical and sustainability quality of sugar cane farms and mills, we have identified and formally engaged with suppliers who have sound sustainability strategies.



Since 2010, the Ferrero Group has been a member of “Bonsucro – Better Sugar Cane Initiative” ([www.bonsucro.com](http://www.bonsucro.com)), a worldwide recognised organization that **promotes the sustainability of the sugarcane sector** through a metric-based certification scheme. The scheme is supported by the implementation of the production standard with a focus on reducing environmental and social impacts including biodiversity, ecosystem, human rights and labour standards, legal compliance.

Ferrero and Altromercato are two organizations that operate according to a set of high values and this is reflected in their work. Following an exhaustive dialogue on the possibilities of acting in synergy to create a meaningful economy in the sectors in which they operate, in 2016 the representatives of **Ferrero and Altromercato signed an Agreement of Cooperation to formalise their strong partnership.** In the agreement, common points of intent were identified; these gave rise to a Manifesto for Solid and Integrated Cooperation, a veritable programme outlining Ferrero's commitment, along with its *partner*, to create shared value within supply chains:

- strengthen the organizations of small producers operating in their home countries;

- guarantee a long-term partnership with these organizations, through Altromercato, and sustainable access to the market and to market information, considered indispensable elements in attaining cooperative development and Sustainable Trade, inspired by the values of Fair Trade;
- promote in a coordinated way the growth of a culture and economy that focuses on responsibility, through targeted research, communications and awareness campaigns, and the involvement of certain trade associations and socio-economic actors;
- launch common projects on Fair Trade and/or Sustainable Trade.

Through the “Sustainable Development Programme”, Altromercato and Ferrero are working to implement a years-long programme, covering the period 2016-2020, with the overall aim of improving and enhancing the economic, environmental and social sustainability of small sugar cane producers in Mauritius.

This programme will have a specific set of goals:

1. encourage the small producers of beneficiary cooperatives to use bio-fertilizers and organic fertilizers in conjunction with appropriate chemical fertilizers, by introducing standardized, efficient and sustainable Integrated Nutrient Management (INM) practices, which are in line with recent governmental policies to promote bio-farming in Mauritius;

2. facilitate the streamlining and efficiency of services offered to the beneficiary cooperatives of small farmers, by investing in innovation and by encouraging the inclusion of young professionals to support the cooperatives and their members.

Overall, the Sustainable Development Programme aims to **ensure a more sustainable future for small sugar cane producers** and make them more resilient in the long-term. A new sugar cane supply chain means new paradigms, stronger relationships and more effective services. The adoption of these sustainable practices requires innovative initiatives, such as the Sustainable Development Programme, to improve

the economic, environmental and social sustainability of sugar cane production by small producers.

The direct beneficiaries of the Sustainable Development Programme are the small producers of the cooperatives who adhered to the programme in April 2016. During the 2015 campaign, in the 25 target cooperatives, there were 826 active members, many of who were also small landowners (with 0-10 hectares of land), amounting to approximately 500 hectares in total. The actions planned to meet the objectives of the programme are focused on the direct and proactive involvement of small farmers and their cooperatives – the main actors of change.



## POLICY ON ANIMAL WELFARE IN THE MILK AND EGG SUPPLY CHAINS

Ferrero considers animal welfare an important principle of its social responsibility. Within the supply chains of animal origin products, one of Ferrero's objectives is the development of a process that ensures the **progressive improvement of animal welfare standards.**

Animal welfare contributes to the quality and safety of products, as well as the sustainability of the supply chain over time.

The 5 freedoms<sup>8</sup> for animal welfare describe the ideal conditions by which an animal's condition of well-being should be deemed acceptable:

- 1. freedom from hunger, thirst and malnutrition**, ensuring the animal's access to fresh water and a diet that maintains full health;
- 2. freedom to have a suitable physical environment**, providing the animal with an environment that includes shelter and a comfortable resting area;
- 3. freedom from pain, injury and disease**, preventing or diagnosing and treating issues quickly;
- 4. freedom to express their own species-specific behavioural characteristics**, providing the animal sufficient space, proper facilities and the company of animals of their own species;
- 5. freedom from fear and distress**, ensuring conditions and care that do not involve psychological pain for the animal.

ANIMAL WELFARE IS AN INTEGRAL PART OF THE FERRERO CODE OF BUSINESS CONDUCT. IN DEFINING THE PRIORITIES OF ITS COMMITMENT, FERRERO HAS CHOSEN TO GRADUALLY IMPLEMENT COMPLIANCE WITH THE FIVE FREEDOMS FOR THE PROTECTION OF ANIMAL WELFARE, DEVELOPING THEM OVER TIME AND ANTICIPATING CHANGES IN REGULATIONS.

Therefore, Ferrero is committed to ensuring that the animals in their supply chains receive an adequate supply of water and food and the necessary care to keep them in good health, avoiding pain and suffering. For example, animal welfare is ensured through cooling systems, adequate rest areas and environmentally enriched systems (i.e., beddings with mattresses, back-scratching brushes). The size of cubicles and the reaction of the animals at the approach of man (approach test) are also monitored.

Moreover, due to the long-term relationships developed with its suppliers, Ferrero works to ensure not only compliance with regulations concerning animal welfare but aims **to go beyond the minimum legal standards**, in cases warranted by suitable conditions. This commitment is even more challenging in some areas, however insignificant in terms of the amount of supply, where a deep sensitivity on the topic of animal welfare has not yet developed.

*8. The five freedoms for the protection of animal welfare are listed by the Farm Animal Welfare Council (1979), based on the Brambell Report.*

## EGGS



**FERRERO  
FARMING  
VALUES**

Ferrero has adopted a voluntary internal programme to source eggs more responsibly. The programme commits to sourcing eggs from cage-free hens living in barns with the following timescale applied for all EU plants. **Ferrero has reached the objective of using 100% cage-free eggs since 2014 in the EU**, and will continue its commitment:

### EGGS FROM CAGE-FREE BARN HENS ROADMAP



**THANKS TO THE ONGOING COMMITMENT AND TO THE COLLABORATION WITH SUPPLIERS, IN SEPTEMBER 2014 AND THUS IN LINE WITH ITS OBJECTIVE, THE GROUP REACHED THE GOAL OF 100% OF EGGS FROM BARN HENS FOR ALL THE PLANT OF EU.**

In 2013, Ferrero developed two new manufacturing plants outside Europe, in Turkey and Mexico. The eggs used in these plants make up approximately 5% of Ferrero's global consumption. Although this represents a small quantity, Ferrero is committed to developing a cage-free egg sourcing strategy for these areas, even where cage-free egg supplies are not usual practice. Ferrero continues to engage in dialogue with the national suppliers of these countries to influence the adoption of cage-free eggs and develop a plan to **reach 100% of eggs sourced from cage-free hens at global level**.

## MILK



Over the years, Ferrero has developed and nurtured long-term relationships with milk producers who are carefully selected locally. This approach has enabled mutual cooperation to **ensure and improve freshness and quality** with the same standards for all our milk suppliers.

Ferrero uses these relationships to strengthen its "**controlled, short supply chains**" with particular attention to the activities of suppliers linked to sustainability in terms of animal welfare and environmental responsibility.

Ferrero strictly adheres to national production regulations on raw milk and dairy, and constantly encourages its suppliers to adopt best practices in milk production.

Dairy production regulations covering milk quality parameters (for example the absence of antibiotics), and its classification and composition, may vary from country to country. However, Ferrero's high standards for the supply of milk are applied globally, regardless of the severity level of local regulations in force.

Ferrero sources its milk directly from its dairy partners, selected according to strict standards to **ensure the control of the entire chain and constant freshness, taste and safety**. Through the short, controlled supply chain, Ferrero is able to create a streamlined system of traceability, which goes beyond legislation (including 100% traceability of dairy farms), to provide a clear picture of the path from farm to product.

IN ADDITION, THE FERRERO GROUP PERFORMS INCREASINGLY MORE FREQUENT, DETAILED AUDITS ON SUPPLIERS RELATIVE TO QUALITY PARAMETERS, ENSURING MORE DETAILED INFORMATION ON THE VARIOUS STAGES OF THE MILK SUPPLY, TO ITS ORIGIN.

The best example of these procedures may be found in the "Milk Supply Chain Partnership Project", which Ferrero developed with the two most important suppliers, Inalpi (Italy) and Mittelelbe (Germany). Milk from these suppliers achieved full traceability with more advanced and greater detail.

## THE "MILK SUPPLY CHAIN PARTNERSHIP" PROJECT

The "Milk Supply Chain Partnership" project, relating to the supply of more than 30,000 tonnes of milk powder and 7,000 tonnes of anhydrous milk fat, yearly, during the period from 2013 to 2016, aims to develop and strengthen measures to achieve the standards established by the Ferrero supply chain protocol, through partnerships with suppliers.

There are three supply chain characteristics:

**Short:** limited number of commercial intermediaries between the producer and the processor tends to enable direct contact between the two, reducing distances between the parties involved.

**Controlled:** in reference to Ferrero quality standards relative to microbiological and chemical limits.

**Sustainable:** monitoring animal welfare and environmental sustainability indices. In particular animal welfare indices, which Ferrero intends to put into practice through a control system of the supply chain, are divided into the following categories: housing systems, animal feeding and management of animal health.

In 2015, Ferrero implemented the "**Milk Quality Project**" (MQP) for 14 strategic suppliers in different geographic areas (from Italy to Turkey, from Scandinavia to India), representing more than 98% of the milk supplied to the Ferrero plants in Europe. The extensive data collected through dairy farm audits (more than 650 dairy farms have been visited since the start of the project) has enabled Ferrero to fully understand the milk production chain. Moreover, this activity has revealed the commitment from milk suppliers not only in the management of the milk quality parameters, largely already established, but also in the development and implementation plans for **good practices to improve animal welfare and reduce environmental impact**.

The information collected, in particular the scores attributed to animal welfare and environmental sustainability indicators, were shared with the suppliers in periodical meetings in order to identify areas of strength in the various sectors. At the moment, these meetings represent an important opportunity for Ferrero and for milk suppliers to share ideas and opinions in terms of dairy farming sustainability and milk quality, to discuss the future development of various sustainability programs and, last but not the least, to consolidate strong relationships.

# MINIMISING ENVIRONMENTAL IMPACT

**O**ur planet is a highly complex system, consisting of many components constantly interacting with one another. Due to this complexity, it is able to react and respond to the environmental pressures imposed on it by human activity.

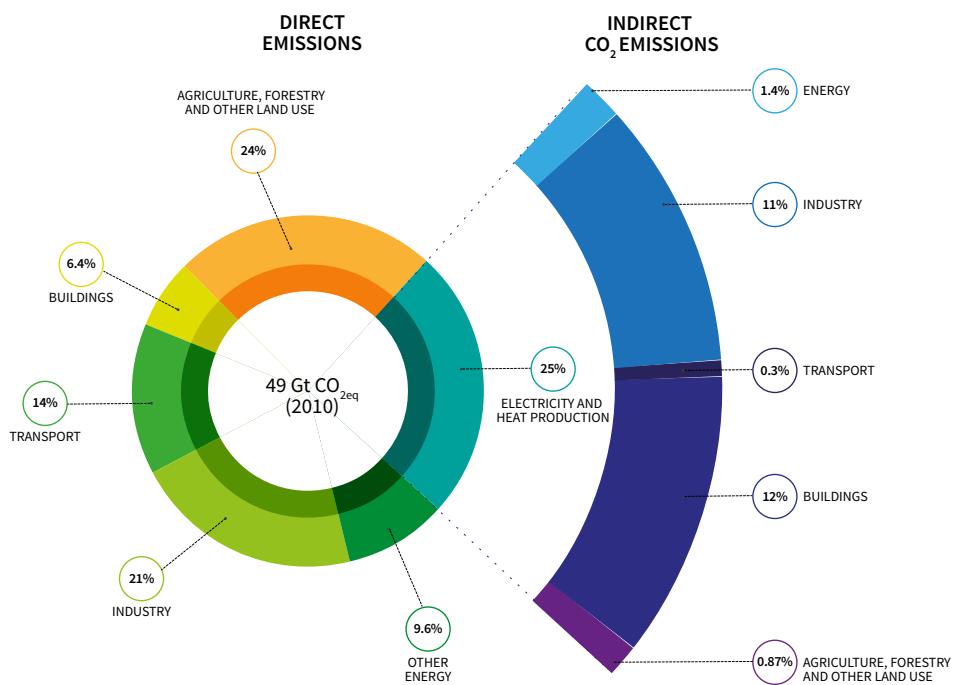
Climate change is a well-known example of these pressures and it is under increasing global scrutiny, in particular from the scientific and political worlds. In view of this, important steps have been taken in recent years, such as the signing of international agreements and the adoption of challenging targets at a governmental level.

The fight against climate change is also one of the three objectives of the United Nations (UN) to reach by 2030, through the promotion of the 17 Sustainable Development Goals (SDGs), which were adopted by 193 member States in September 2015.

According to latest report of the IPCC (Intergovernmental Panel on Climate Change), the three sectors that contribute the most to total greenhouse gas emissions are the electricity production sector; agriculture, food and other land uses sector; the industrial sector.



## GREENHOUSE GAS EMISSIONS BY ECONOMIC SECTORS\*



\* The Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC).

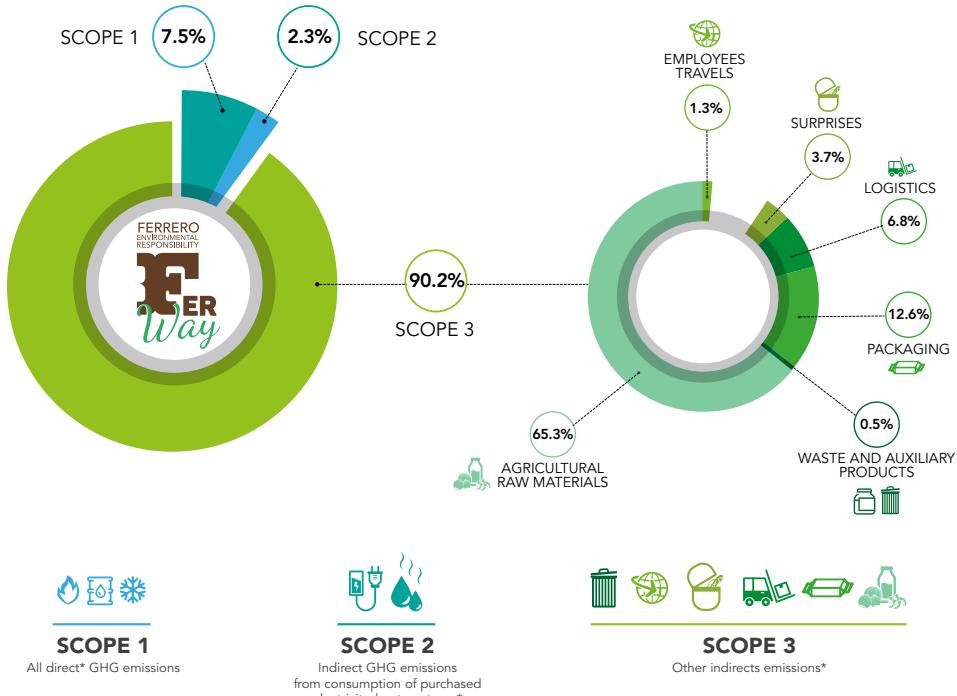
Nonetheless, a decline in overall emissions in the “Agriculture, Forestry and Other Land Use” sector has been registered in recent years, primarily due to a decline in deforestation, a rise in reforestation policies and a more sustainable management of supply chains. These policies are considered among the best, in terms of the cost/benefit ratio, not only for mitigating climate change but also for other potential benefits linked to the economic, social and environmental spheres, such as increasing biodiversity, better conservation of water resources and the reduction of soil erosion.

In this context, **the Ferrero Group continues to focus its efforts on initiatives linked to the sustainable management of supply chains**, to contribute to sustainable economic growth – both locally and globally.

## THE FER-WAY PROJECT

**A**s a confectionery business, the Ferrero Group uses ingredients that grow mainly in tropical areas for its recipes. Within this context, the Group's first responsibility is measuring the impact of the entire supply chain of its products. Only by having a clear vision of its own impact, can a business manage and reduce it. Since 2009, the Group has measured its Carbon Footprint<sup>9</sup> annually, committing to gradually increase its boundaries.

Particularly, since FY 2013/2014, with the launch of the **FER-Way - Ferrero Environmental Responsibility Way** - project, aimed at the good management of environmental sustainability, the Group has been working to improve the accuracy of its data, to include additional sources of indirect emissions and to redefine indicators and measurement parameters, according to the most recent developments in the scientific fields. This will allow the Group to identify the risks, opportunities and strategic actions that need to be taken.



\*GHG, Protocol, WRI, WBCSD definitions.

9. Defined by independent Carbon Trust experts as the "total amount of CO<sub>2</sub> and other greenhouse gases emitted directly and indirectly by a person, organisation, event or product".

*10. In calculating the Carbon Footprint, the following standards and methodologies were used:*

- 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;
- Publicly Available Specification PAS 2050:2011, based on ISO 14044 standard and developed with DEFRA, Carbon Trust and British Standard Institute (BSI) and focused exclusively on greenhouse gas emissions in the entire product life cycle;
- ISO 14040 and ISO 14044 Life Cycle Assessment (LCA) standards, including the relevant Principles and Reference Framework, Requirements and Guidelines.

*11. Data covers the entire period of FY 2015/2016 and includes Alba Power, bought by the Ferrero Group in December 2015.*

*12. The following production plants are excluded from this calculation: Cameroon and South Africa, the new plant in China and the Thorntons Plc plant in Alfreton. Figures on raw materials and packaging also include data from the plant in China (19 plants in total).*

*13. KSC warehouses, copackers and transit points are excluded.*

*14. The estimate of the Group was calculated based on a sampling investigation carried out on the Alba plant, which involved around 900 employees during FY 2014/2015. The investigation was carried out as part of the project "GHG inventory calculation methodology relating to the production of confectionery products. Case study: Alba factory - Ferrero Group".*

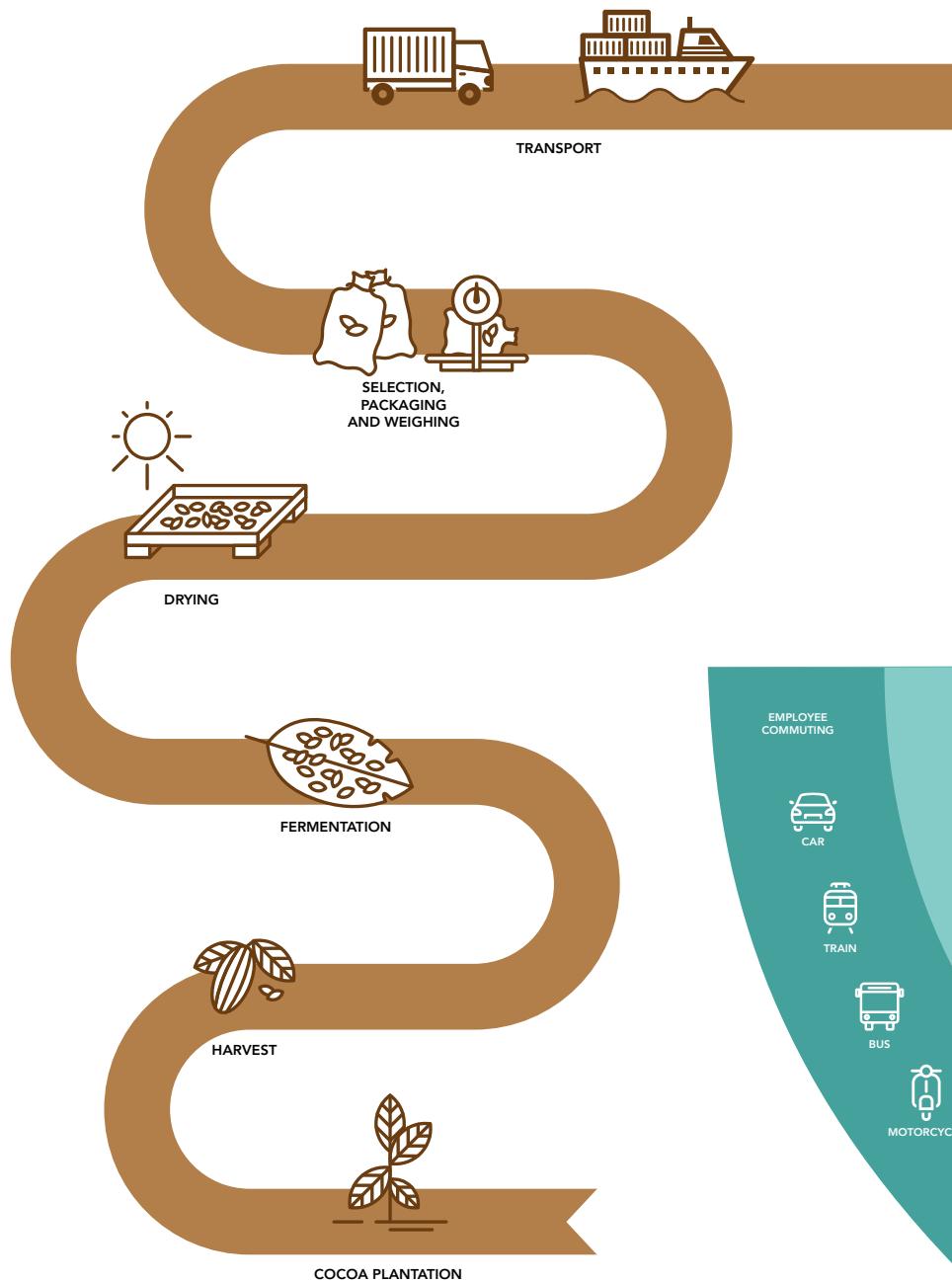
**The FER-Way project is based on the Life Cycle Thinking (LCT) approach**, which considers the different stages of a product's life and its main environmental impacts, including the phases that are not under the direct control of the Group. In fact, according to the LCT approach, it is possible to identify a personal or direct responsibility (which includes direct emissions in Scope 1 and indirect emissions in Scope 2), equal to 555,702 tonnes of CO<sub>2</sub>, or 9.8% of the total emissions in FY 2015/2016. Furthermore, the shared or indirect responsibility (Scope 3) was found to be equal to 5,102,751 tonnes of CO<sub>2</sub>, or 90.2% of total emissions, whilst the cultivation and production of agricultural raw materials is the Group's biggest source of environmental impact (65.3%)<sup>10</sup>.



**The Ferrero Group manages the collection and analysis of data through an internal platform named SuRe (Sustainable Reporting)**; it is a controlled environment that also allows better management and optimisation of data flow and data transfer. This report includes the following environmental data<sup>11</sup>: self-produced energy; 18 production plants<sup>12</sup> with 35 internal warehouses; warehouses directly managed by Ferrero (13); 213 warehouses not directly managed by Ferrero<sup>13</sup>; the production and transport of KINDER® surprises; the transport of semi-finished and finished products; the business travel of employees of the main companies of the Group; and work-home travel of all employees of the Group<sup>14</sup>.

The Group is still working on the inclusion of data relating to the transportation of the main raw materials and packaging materials from suppliers to Ferrero plants.

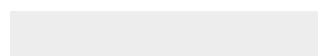
**FER-WAY PROJECT MEASURED AREAS**



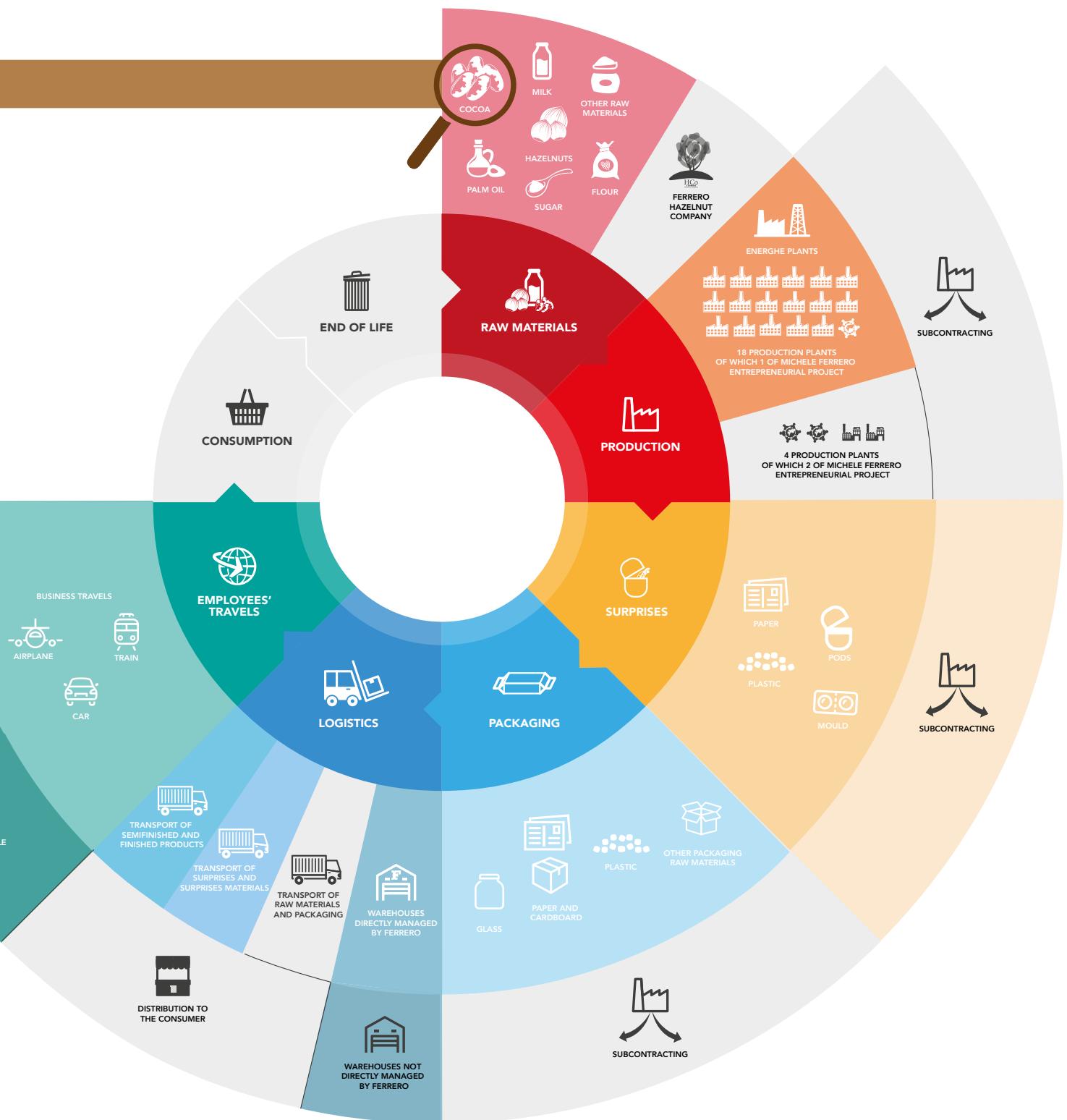
**LEGEND**



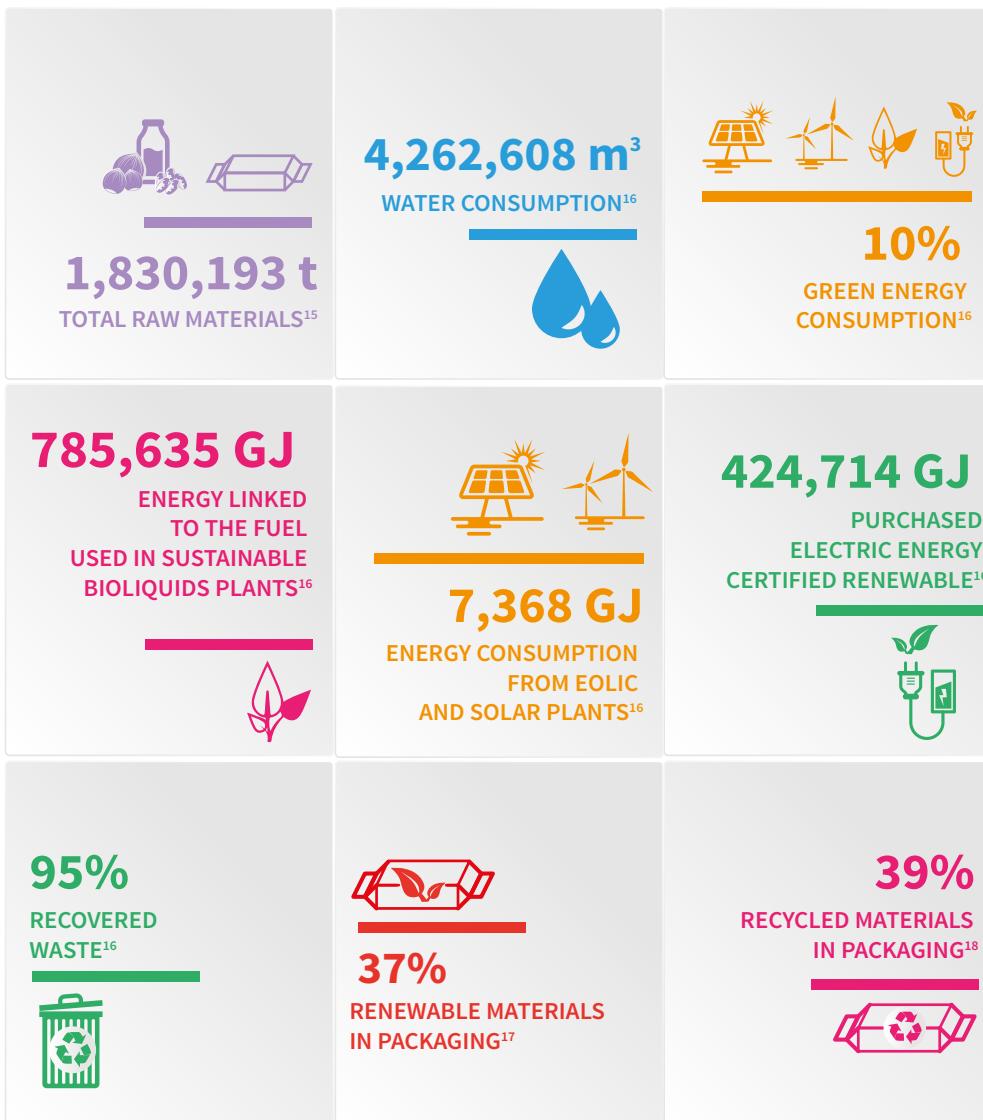
Included in the FER-Way project boundary



Not included in the FER-Way project boundary



## KEY NUMBERS FY 2015/2016



15. The total raw materials figure includes the quantities of the following: agricultural raw materials, including the water used in the recipes of Ferrero products; packaging of raw materials; raw materials for the toys; supplementary materials in production processes. Data relates to Ferrero's 19 production plants (including the new one in China) and its 13 directly managed warehouses.

16. Data relates to the 18 production plants and 13 warehouses managed directly by the Ferrero Group, which are included in the scope of the reporting of the present chapter.

17. Data relates to Ferrero's 19 production plants (including the new one in China) and its 13 directly managed warehouses.

18. This percentage represents an estimate on the quantity of recycled content as per the Ferrero Group's total packaging materials. For paper and cardboard, the data is based on a calculation based on the composition of the materials purchased. For rPET and rPP, the data is the exact calculation of the recycled material purchased in the reference year of this report, whereas for glass and aluminium the data comes from the suppliers' surveys and takes into account the different plants the materials were sourced from, and is therefore linked to the efficiency of collection and recycling of the countries in which the packaging suppliers are located and operate.

## THE FER-WAY PROJECT AND THE CIRCULAR ECONOMY

In the last 150 years, the global economy has followed a linear trajectory of production and consumption, creating an ever-growing demand for natural resources. Given the estimated growth of the world population, it is crucial that we change this mindset, and thus, the way we produce and consume. Therefore, a circular economy model, which is an economy designed to self-regenerate, is replacing the traditional linear consumption model<sup>19</sup>.

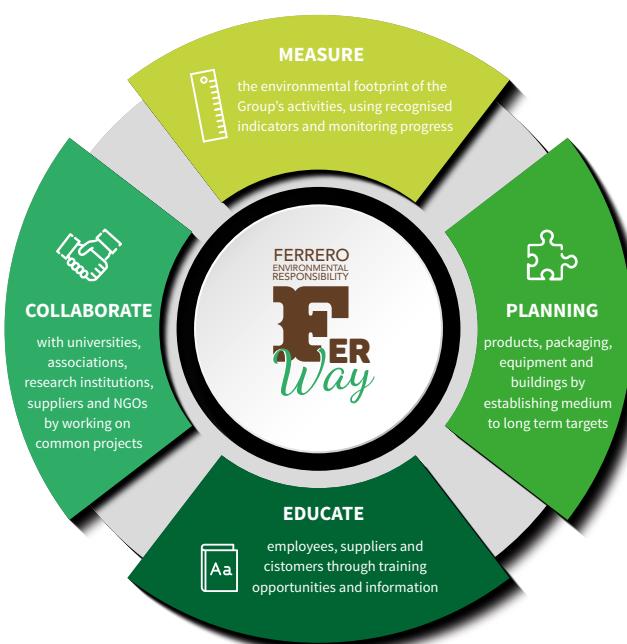
Through its FER-Way environmental responsibility project, **the Ferrero Group supports and promotes the development of a circular economy**, as it is fully aware of the implications of a scarce supply of resources for its business.

It is important to have a detailed snapshot of the environmental impact and data on the emissions flows of the production of a specific product to help the system evolve into a circular economy. It is likewise clear that **measuring** environmental impact alone is not enough, and that collaboration with the different actors along the entire supply chain is fundamental.

For this reason, Ferrero is developing a dedicated corporate responsibility project that will also focus on such topics as the **training** of employees, suppliers and clients, as well as the promotion of **collaborations** with universities, associations, research agencies, suppliers and NGOs on projects in which it is possible to create shared value.

Only in this way is it possible to **plan** together, to sustain and support the transition of the food industry towards a circular economy, in order to:

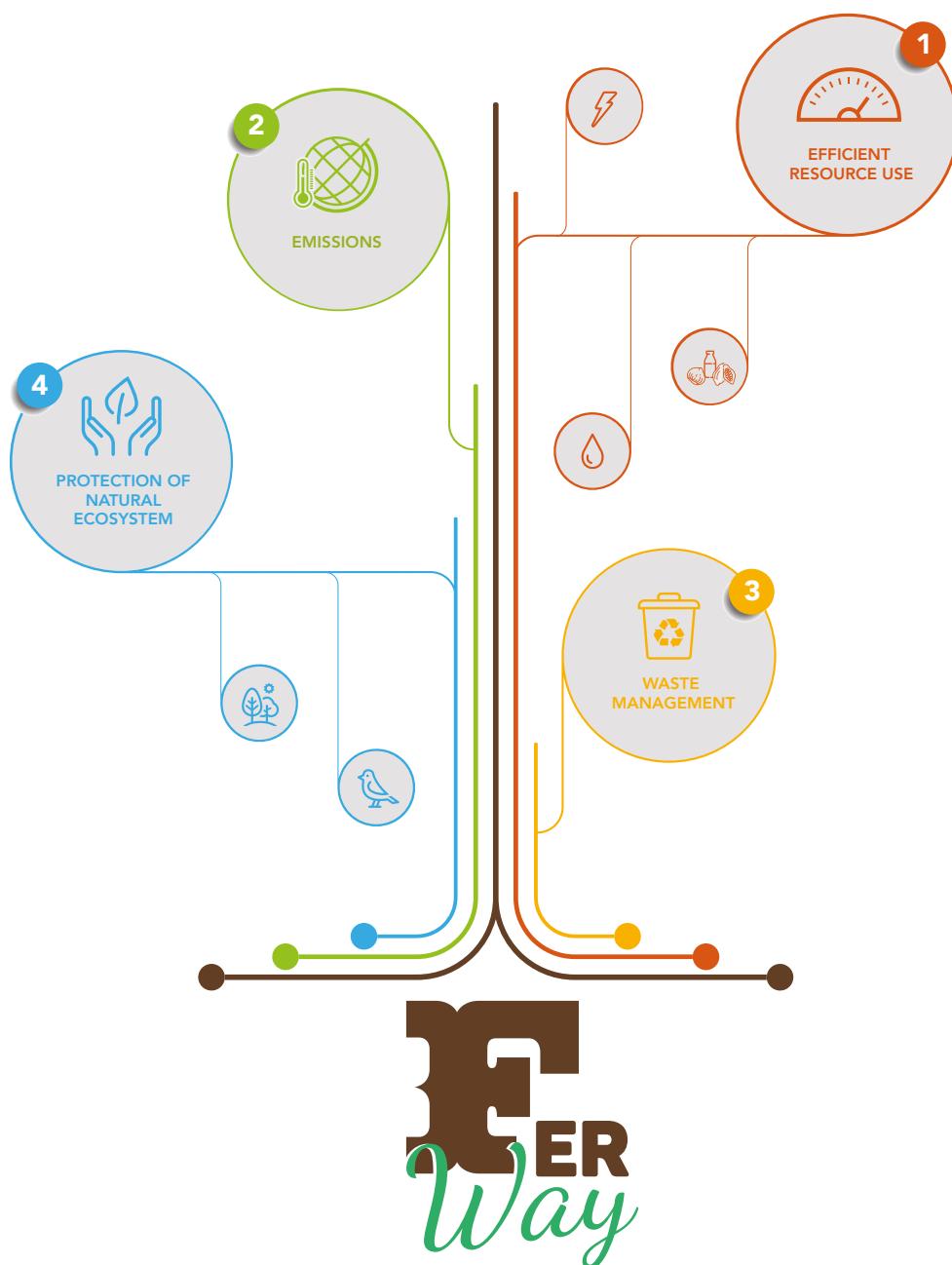
1. preserve and maximise the value of natural resources and raw materials;
2. use natural resources efficiently;
3. promote the sustainable supply of raw materials.



19. The Ellen MacArthur Foundation defines circular economy as “one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.”

## FERRERO4FUTURE (FERRERO FOR FUTURE)

The **Ferrero4Future Framework** was created, as part of the *FER-Way project*: in recent years, the Ferrero Group has been working on four main action areas in order to create a more sustainable future.



## 1. EFFICIENT RESOURCE USE



Consumption and environmental impacts of the Ferrero Group<sup>20</sup> are measured on an annual basis, from September 1 to August 31<sup>21</sup>.

### FY 2015/2016 FERRERO GROUP'S CONSUMPTION

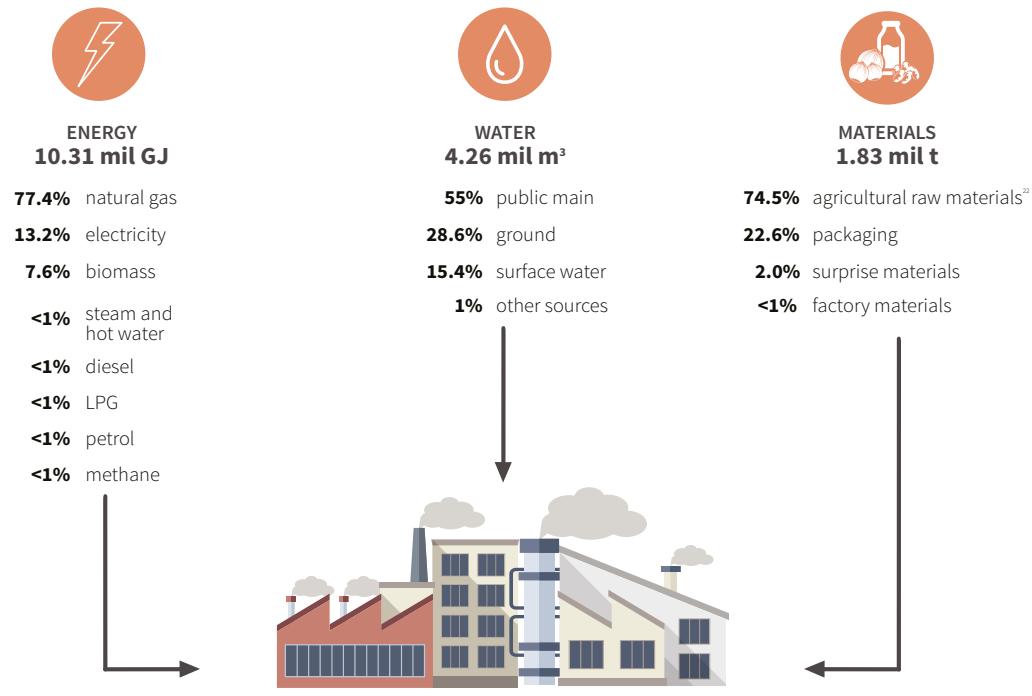
20. This report covers the consumption of water, waste generation, energy consumption and CO<sub>2eq</sub> emissions relating to the 18 production plants (including their internal 35 warehouses) and 13 warehouses directly managed by the Ferrero Group in Europe, America, Asia and Oceania, and which represent almost the total production of FY 2015/2016. This data does not include the new plant in China, nor the Thortons Plc plant in Alfreton.

21. The total number of warehouses directly managed by Ferrero varies from FY 2014/2015 (from 19 to 13). This limit in the comparison between the two periods must be considered.

22. The figure of the agricultural raw materials total includes the quantities of water estimated for use in Ferrero's recipes.

23. Regarding hazelnut, given that to this day there is no internationally recognised sustainability certification for it, the sustainable supply chain roadmap focuses on the complete traceability of the supply chain, as illustrated in the previous chapter.

24. For more information on paper certification, please refer to the dedicated paragraph, "Paper".



## RAW MATERIALS

### AGRICULTURAL RAW MATERIALS

In order to preserve and maximise the value of the natural resources used in the food production, it is crucial to **ensure that raw materials are responsibly produced**.

For this reason, as illustrated extensively in the previous chapter, the Ferrero Group has defined sustainable supply chain roadmaps for its main raw ingredients. Palm oil, cocoa, hazelnut<sup>23</sup>, sugar, coffee and paper/cardboard<sup>24</sup> are linked to internationally recognised certification programmes and guaranteed by third parties.

In addition to these, **LCA studies have been set up for the six main agricultural raw materials utilised by the Ferrero Group**. This project, which will be finalised in August 2018, will enable the Group to have accurate data on the environmental impact of the production of its agricultural raw materials. Once the most critical production areas for each raw material are identified, the Group will launch projects to support more efficient production schemes.

To date, studies have already been initiated on Turkish hazelnut plantations, Italian dairy farms and Ferrero's main European sugar suppliers; whilst a study on palm oil was also launched in FY 2014/2015.

## PACKAGING MATERIALS

Achieving a perfect synergy between product packaging and production is crucial to ensure the following: product quality; an adequate shelf life to prevent food waste; product protection and safety during the transportation from production plants to consumers' homes; as well as the importance of communicating with consumers.

The packaging used in Ferrero products is made from different types of materials, such as glass, paper and cardboard, plastic and aluminium<sup>25</sup>.

Once again, in FY 2015/2016, glass appears to be the most utilised material in terms of weight, at over 160,000 tonnes, followed by cellulose components (paper and cardboard), at approximately 150,000 tonnes.

In order to ensure that packaging is designed correctly, it is crucial to optimize the variables that influence the overall environmental profile of the package itself. This is why **the Ferrero Group adopted the so-called 5R strategy years ago**.

Here are some examples of projects that were carried out in FY 2015/2016 for which the 5R Strategy was applied:

### 5R- Recycling

We remain committed to improving the recyclability and recycled content of our packaging wherever technically and qualitatively possible. For example, in FY 2015/2016,

the recyclability of about 180 tonnes of plastic packaging was improved at the Group's production plant in Canada: after quality and technical tests, it was possible to use packaging materials with a better recyclability rate.

Regarding the content of recycled material in our packaging, at the Group level, we have reached a **value of about 39% of all materials used**. In addition to glass, aluminium and cardboard containing recycled material, recycled plastic is also used in transport and in exhibits. Regarding the SPE (Scraps of the Packaging Evolution) project, which sees the use of production waste materials to create new packaging for use by the Group, around 57 tonnes of rigid plastic were used in FY 2015/2016.

### 5R- Removal

A redesign of the entire system is warranted when studying how to reduce the thickness of a given package, and thus ensure that a thinner pack can still guarantee the intended functionality (organoleptic protection, safety, mechanical strength, and so forth).

An example in which the packaging system has been revised is the optimization of the NUTELLA® 1 kg food service pack, which saved over 26 tonnes of excess packaging material in FY 2015/2016 in the US market.

Another example of a redesign project includes the exhibitors of various hollow chocolate figures, in which a self supporting design

*25. List of materials used, in terms of decreasing weight, based on the total.*

was created and led to a **35% reduction in package weight** compared to the version that requires additional support elements (said supports cannot always be removed because some products are susceptible to problems related to resistance and consequent breakage of the content).

### **5R- Reduction**

Various projects are aimed at optimizing and reducing natural resource consumption during packaging production while maintaining quality and functionality. For example, the Canadian plant has seen **a reduction of about 12 tonnes** in the production of its Tic Tac® trays thanks to the use of a lighter, higher-performing material. Dialogue and collaboration with suppliers on quality and environmental issues is part of our daily routine. In the past year, we have begun using a resin for select plastic packaging, which has resulted in a reduction in energy consumption during production at the plants of our packaging suppliers. This shows that attention to environmental issues is widespread along the entire supply chain, not just at the Ferrero Group's plants.



### **5R- Reuse**

Reuse has always been **one of Ferrero's main focus areas in packaging design**. For example, over the years the NUTELLA® glass has become one of the brand's symbols. Among the other packages designed to have a secondary use at the end of their "first" life is the KINDER® Surprise package, which was specifically designed for reuse as a piggy bank.

Regarding the 2020 target to increase by 10% its use of packaging materials deriving from renewable resources compared to 2009, **the Ferrero Group is constantly looking for innovative approaches** in this respect. The packaging world has evolved constantly in recent years, thanks to advances in both technology and science. For this reason, in FY 2015/2016, the Group worked with several players across the world to assess the feasibility of the industrial implementation of recent developments in the packaging market.

Ferrero's challenge is to reduce its impact throughout all stages of the product life cycle, taking into account the needs of consumers and the circular economy, as well as the different and distinct contexts of each individual market.

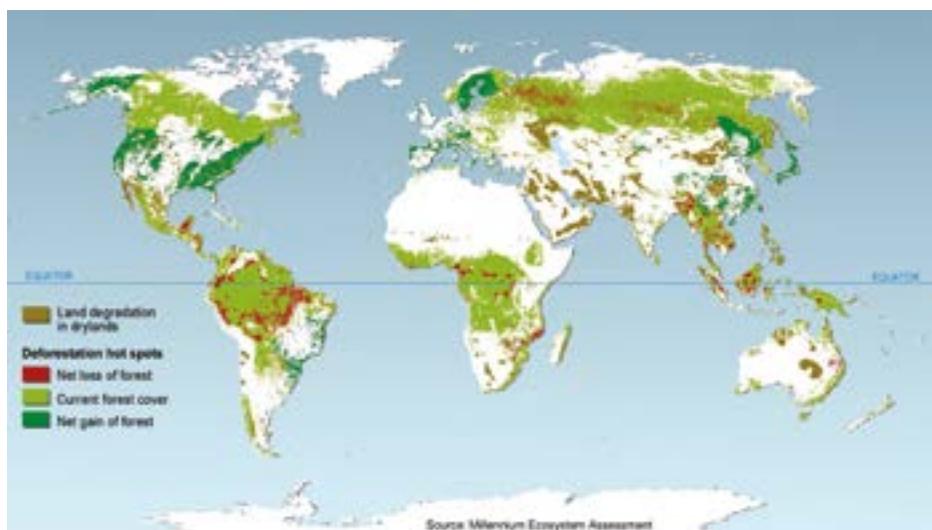
## PAPER

### Certified sustainable supply chain for paper/cardboard

#### DEFORESTATION

Deforestation is one of the biggest causes of the release of greenhouse gases into the atmosphere<sup>26</sup>, contributing up to 15% of global greenhouse gas emissions. Indeed, the world's forests preserve an enormous quantity of carbon in the soil – estimated at around 500 billion tonnes – with the great majority located in tropical rainforests. The main driver of deforestation is commercial agriculture, fuelled by the growing demand for key natural resources.

Knowing the origins of the raw materials is the first step in stopping the deforestation process.



With the aim of fighting the problem of deforestation, **the Ferrero Group signed the “New York Declaration on Forests”** during the Climate Summit organised by the UN in September 2014. The declaration is a voluntary political commitment, born from the dialogue between governments, companies and civil society, which has the aim of halving the loss of forests by 2020 and stopping deforestation all together by 2030.

#### FERRERO'S ENGAGEMENT

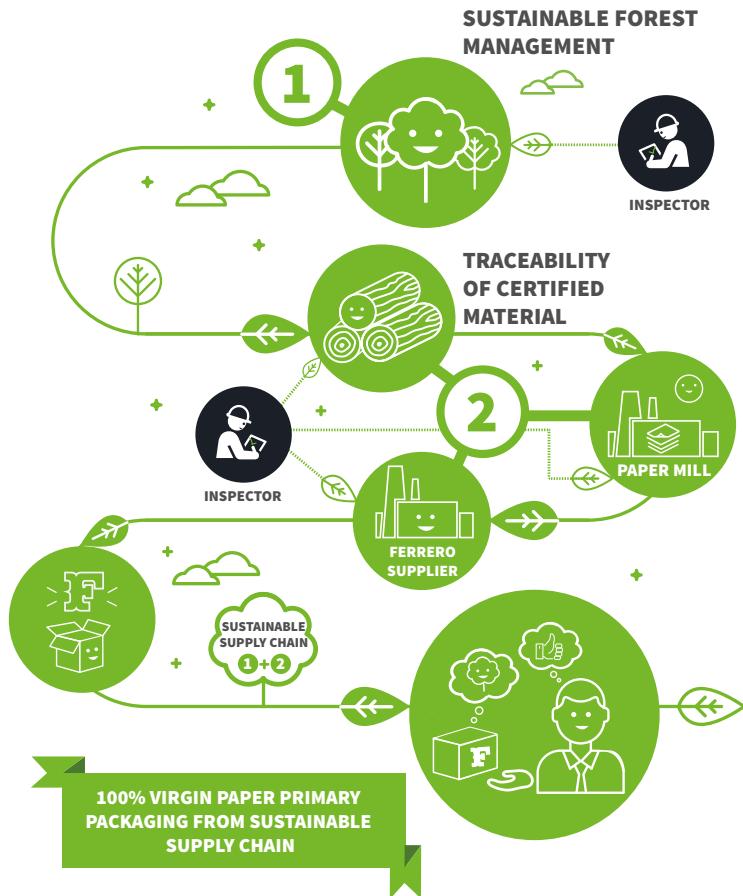
Stopping deforestation is the reason why, for the past few years, the Group has been concentrating its efforts on the raw materials that are considered to be responsible for this problem.

In 2012 Ferrero made an important pledge regarding its paper supply chain. More specifically, the Group has committed to **sourcing its supply of virgin paper and cardboard from a certified sustainable supply chain by the end of 2017**. Ever since the end of 2014, all virgin cardboard has come from a certified supply chain.

26. Source: Millennium Ecosystem Assessment.

**Minimum requirements:**

- health, labour, safety rights; ✓
- minimize direct/indirect damage to forest, soil, water, ecosystem; ✓
- local communities consultation on forest management; ✓
- protection against illegal activities. ✓

**What is certification?**

Certification is a tool to promote responsible forest management, both from a social and environmental perspective. Certification is promoted by multi-stakeholder organizations, which are committed to achieving the certification of forests according to credible, independently verified standards of responsible forest management.

**What is a sustainable supply chain?**

Sustainable supply chain means that there is compliance with strict, quantifiable and verifiable standards which are internationally recognized.

**What is a Forest certification?**

Forest certification is the process of inspecting forests to assess how they are managed according to an agreed set of principles and criteria. These principles include the recognition of indigenous people rights, long-term economic viability, the protection of wildlife and so on.

## SURPRISE MATERIALS

Toys are an essential part of some of the Group's products, and for this reason, **Ferrero's behaviour and actions are based on a high level of responsibility towards all children** – the main actors and builders of our planet's future.

For several years Ferrero has been carrying out an environmental impact assessment on the production of the toys for KINDER® products with surprises, in order to adopt the most appropriate choices and reach a reduction in the consumption of materials along the entire value chain.

In light of this, from 2013, the manual painting of KINDER® surprise toys has been replaced by an innovative printing system. This ensures a reduction in the quantity of vanish and solvents that are used and dispersed into the environment. At the same time, the machinery is being upgraded, with the aim of improving production efficiency and reducing consumption.



## ENERGY

Energy is often considered the life-blood of industrial production: all production processes require, at varying degrees and in different ways, a continuous source of energy to operate. In the European Union, energy consumption in food production processes represents approximately 7% of total consumption<sup>27</sup>.

Naturally, the impact of energy consumption varies greatly, depending on the specific production process at hand; in the food industry, these are extremely varied.

Ferrero's supply chain approach to energy is three-fold:

1. self-production;
2. renewable energy;
3. energy efficiency.

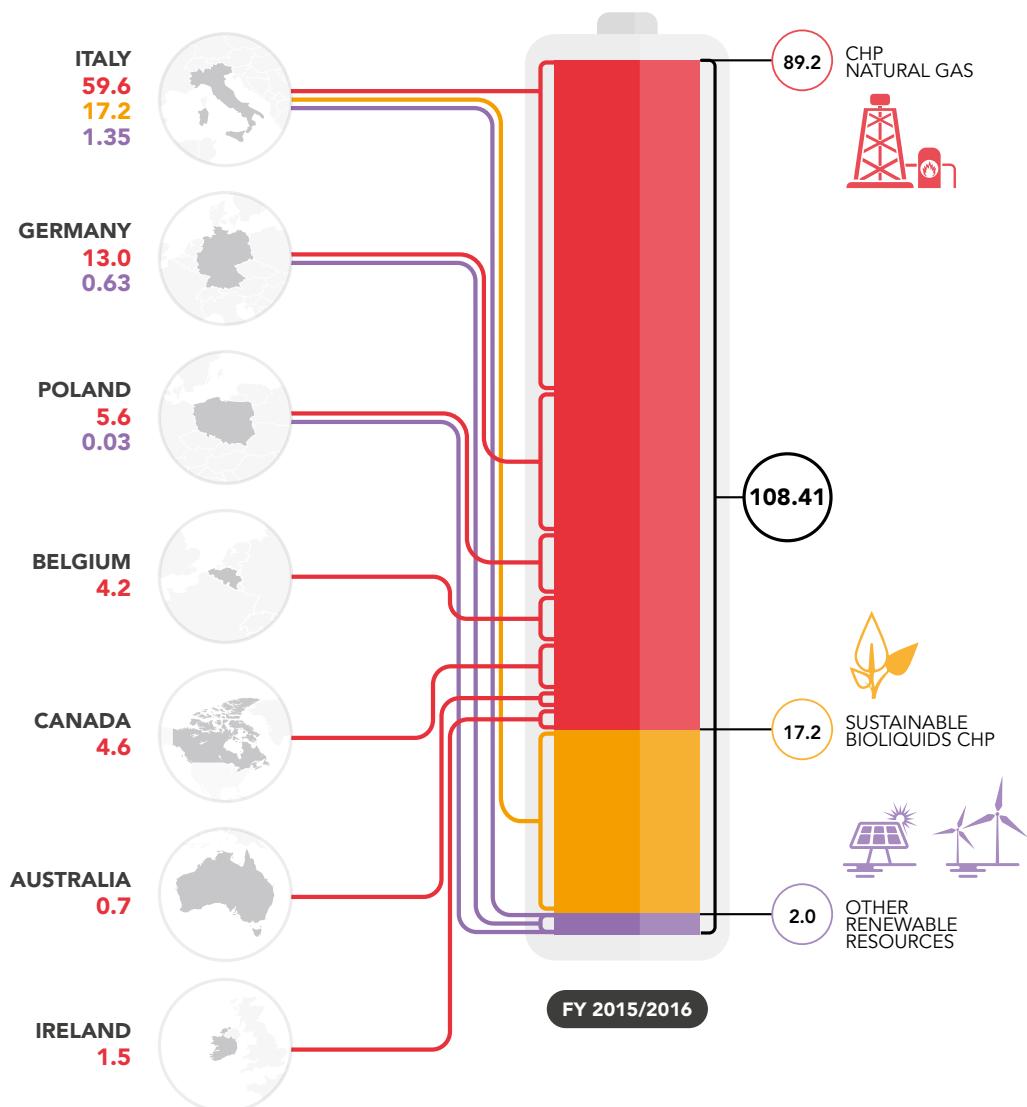
<sup>27</sup>. Data from "Energy use in the EU food sector: state of play and opportunities for improvement, 2015".

## SELF-PRODUCTION AND RENEWABLE ENERGY

Regarding self-produced energy, in recent years the Ferrero Group has focused on developing co-generation production plants, alongside production plants using renewable sources. The Group currently has 11 cogeneration plants.

The following chart<sup>28</sup> displays the plants' electrical power in MW, broken down by country and energy source.

PLANTS IN PRODUCTION SITES FERRERO (MW) AS OF 31<sup>ST</sup> AUGUST 2016



28. The electrical power of Alba Power (56.3 MW) and the plants in the Ferrero plants and directly managed warehouses are included in the chart for Italy. In the case of Alba Power, the total installed power on the site is reported, taking into consideration that, in December 2015, it was 100% acquired by the Ferrero Group.

In 82% of cases, these are "trigeneration" plants, which are capable of producing electricity, heat and refrigeration from one single fossil fuel source, thus maximising its use.

## TRIGENERATION

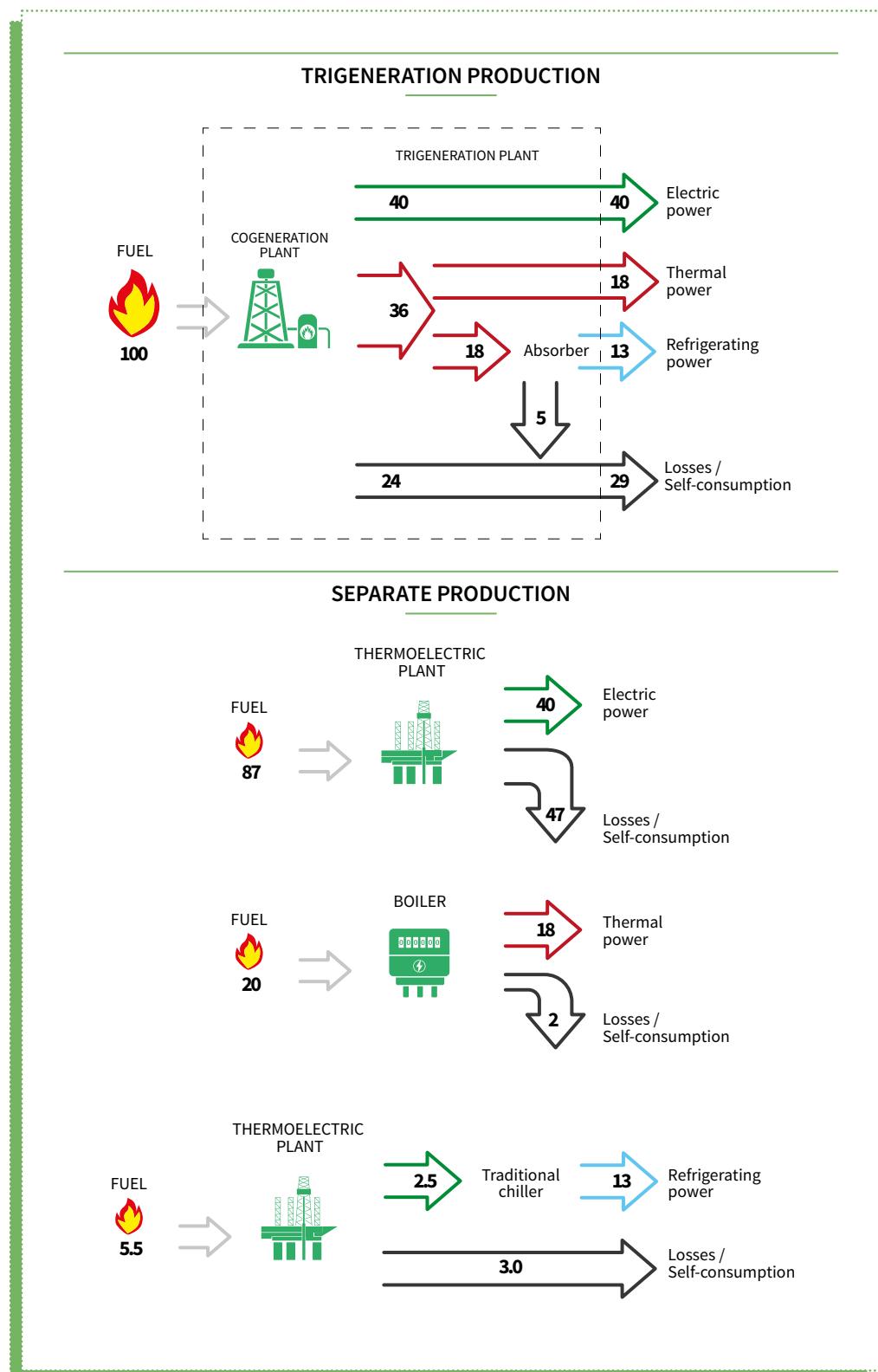
Trigeneration is the combined process of producing electricity, heat and cooling, in which some of the heat energy generated is used to produce chilled water for refrigeration, through an absorption chiller machine. It can, therefore, be considered a particular type of cogeneration, by broadening the types of use in both the civil and industrial spheres.

Cogeneration plants (and, thus, also trigeneration) are fuelled by the combustion of a primary fossil source (mainly natural gas) or a renewable one (e.g. biomass or sustainable bioliquids). Usually, the type and size of the plants are chosen according to the production process needs of each plant and any national regulations it may have to comply with. The use of a cogeneration system has advantages over the energy generated by large thermoelectric power plants because it can be located directly onsite; this allows for the recovery of the heat produced during the generation of electricity and its reuse on-site for production processes.

Conversely, in large thermo-electric plants it is not possible to make use of this procedure due to the large quantities involved and the energy loss caused by long-range distribution.

In the case of cogeneration/trigeneration however, the energy production point is located near the consumption area. In this way, heat and cooling can be used for a variety of purposes other than electricity production, such as district heating and the ventilation of dwellings or other industrial uses, in which heat can be used in the form of steam or hot water. Refrigeration is usually used for air conditioning in buildings and/or directly in the production process.

As seen in the following diagram, with the same energy produced, the fuel consumed in a trigeneration process is more than 12% lower than that which would be consumed with three separate generation systems for electricity (the country's electricity generation system), heat (traditional boilers) and cooling (refrigerating compressor). This provides **clear benefits both at an economic and environmental level**, thanks to an emissions reduction of CO<sub>2</sub> and other pollutants.



29. Alba Power is included for the full FY 2015/2016 in the self-production percentage. This figure includes self-produced and consumed electricity on site.

In FY 2015/2016, through its operating production plants, the Group was able to self-produce approximately 50.6% of its plants' total electricity consumption<sup>29</sup>. In FY 2015/2016, **approximately 18% of the installed power of self-production came from plants powered by renewable energy sources**.

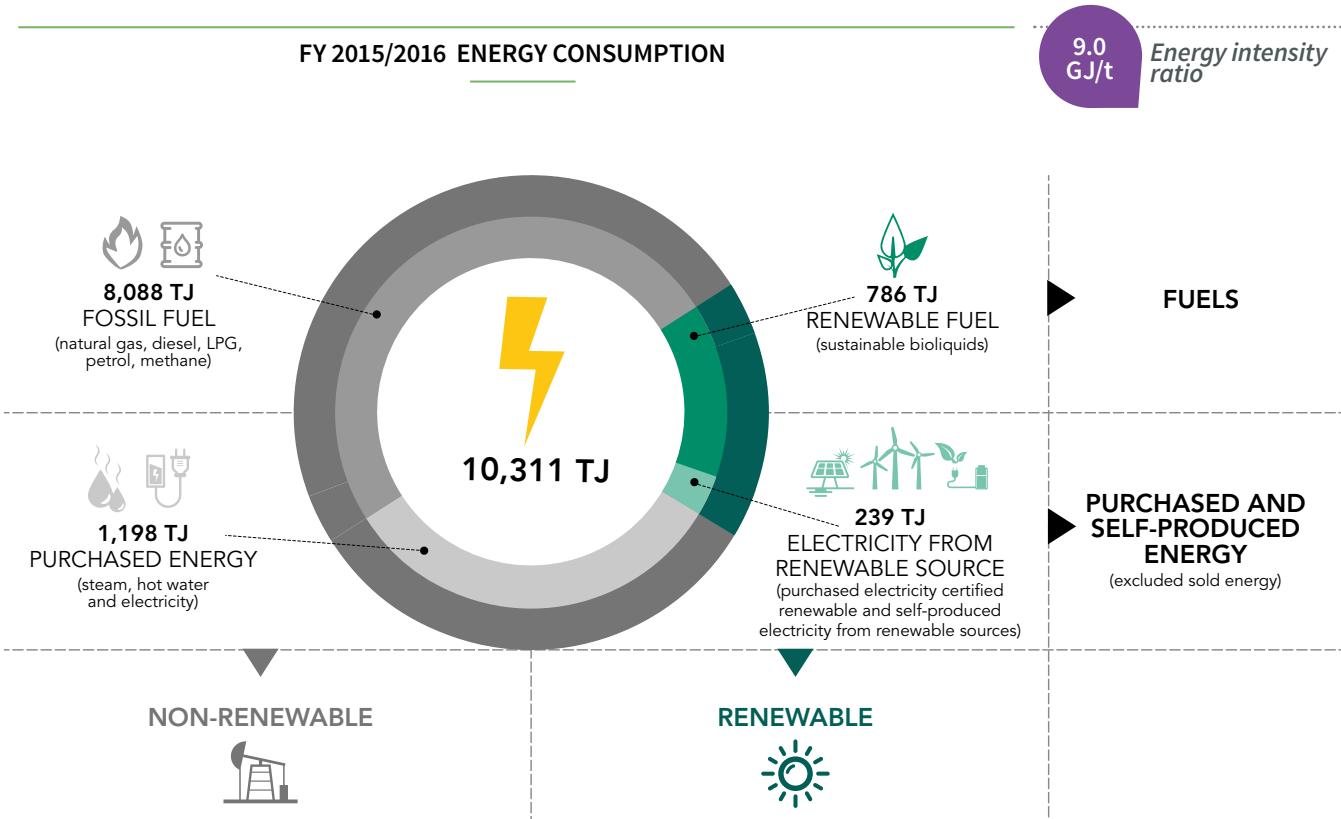
## ENERGY EFFICIENCY

Ferrero's production processes require energy in the following forms:

- electricity;
- heat, both steam and hot water, at different temperatures;
- cooling, at different temperatures;
- compressed air;
- vacuum.

Among the different sources of energy used in the production process are those used to provide air conditioning in the production facilities, warehouses and offices.

The following chart shows a breakdown of the Group's energy sources.



Electricity and natural gas are the Ferrero Group's two main energy sources, accounting for more than 90% of the total energy consumption of its production plants and directly managed warehouses.

In order to reduce both the environmental impact and energy costs of the plant, **a reasonable and efficient use of energy is a key objective for plant management.** The following data refers to the variations in energy consumption in the last year:

**ENERGY CONSUMPTION**

	UM	FY 2014/2015	FY 2015/2016
Energy intensity ratio	GJ/t	7.1	9.0
<b>Total energy consumption</b>	TJ	7,959	10,311
<b>Total fuel consumption</b>	TJ	4,727	8,873
from non-renewables	TJ	3,898	8,088
from renewables	TJ	829	786
<b>Total electricity consumption (electricity sold excluded)</b>	TJ	2,078	1,361
from renewables	TJ	240	239
<b>Steam or hot water consumption</b>	TJ	1,154	76



The energy intensity ratio<sup>30</sup> of the Group appears to have worsened, declining by 27% due to the addition in the reporting remit of the Alba Power cogeneration plant, which is now part of the Group but previously considered an external supplier.

**Improved energy efficiency is achieved both through promoting a culture of efficiency and technical projects.**

Ferrero has launched many initiatives to improve energy performance including the development of energy management procedures; the installation of high-efficiency motors and inverters; the use of energy-saving LED lamps to illuminate premises; the insulation of pipes carrying high-temperature fluids; the recovery of heat energy from process and service plants; the installation of air conditioning regulation systems; the rationaliza-

tion of energy distribution networks; and the study and elimination of the sources of energy loss. The “Green Weekend” project is a key tool in improving energy use. The project aims to reduce energy consumption during weekly production stops, thanks to the involvement and awareness of all production staff.

Production plants periodically undergo an energy diagnosis test which, through an analysis of the plants and their operations, provides a snapshot of the energy flows in the plant and helps to identify the main energy users and potentials areas of improvement.

The following table shows examples of the energy efficiency actions implemented in FY 2015/2016 in the Ferrero Group’s plants.

30. The index is calculated based on tonnes produced in the reference years.

ACTIONS	EXAMPLES OF ENVIRONMENTAL BENEFITS
<b>Production and distribution of energy for cooling</b>	
Upgrade to a warehouse air conditioning system	Annual savings in a large plant: <b>2,000,000 kWh of electric energy</b>
Rationalization of storage temperatures	Annual savings in a warehouse: <b>320,000 kWh of electric energy</b>
Installation of new engines and an automatic control system for refrigeration compressors	Annual savings expected in a medium-sized plant: <b>190,000 kWh of electric energy</b>
Rationalization of an air conditioning system	Estimated annual savings in a medium-sized plant: <b>188,000 kWh electric energy</b>
<b>Energy efficiency of production processes</b>	
Rationalization of a production process, with a positive impact on energy efficiency	Annual savings of a production line: <b>106,000 kWh of electric energy</b> <b>1,680,000 kWh of heat energy</b>
Use of more energy-efficient technology in product handling	Annual savings measured in a production line: <b>1,360,000 kWh of electric energy</b>
<b>Electrical utility management</b>	
Replacement of electric motors with high-efficiency ones	Estimated annual savings from replacing a production motor: <b>65,000 kWh of electric energy</b>
<b>Heat recovery</b>	
Recovery of heat energy from air compressors	Annual savings measured on two compressors: <b>more than 2,370,000 kWh heat energy</b>
Recovery of heat energy from the condensate circuit	Annual recovery measured in a large plant: <b>1,480,000 kWh heat energy</b>
<b>Vacuum production</b>	
Improvements in vacuum pump efficiency	Estimated savings in a medium-sized plant: <b>61,000 kWh of electric energy</b>

**Energy managers have a leading role in improving energy efficiency at plants** and represent an important element of integration at a Group level, thanks to periodic "Professional Family"<sup>31</sup> meetings, which have five objectives:

1. energy as an "ingredient" of the product - promoting a culture of energy;
2. development of an Energy Management System, in accordance with ISO 50001;
3. networks between plants: adoption of common and shared working tools;
4. growth in energy efficiency expertise;
5. definition of standardized methods for achieving energy efficiency goals.

Within the plants, energy managers promote these goals to the "energy management teams".

<sup>31</sup>. A "Professional Family" is a horizontal community of people who all have the same role in Ferrero plants. Its aims are to share and develop a common knowledge base, standardise tools and methodologies, spread best practices and promote continuous improvement.

In March 2016, 46 people (from 13 plants and covering 5 central functions) attended the second international workshop for energy managers in Alba. The workshop's objectives were as follows:

- consolidate the global network of energy managers;
- improve integration and co-operation between energy managers and the Ferrero Engineering Department;
- deepen technical knowledge of production, distribution and use of refrigeration;
- share ideas on the objectives and methods for energy measurement at plants.

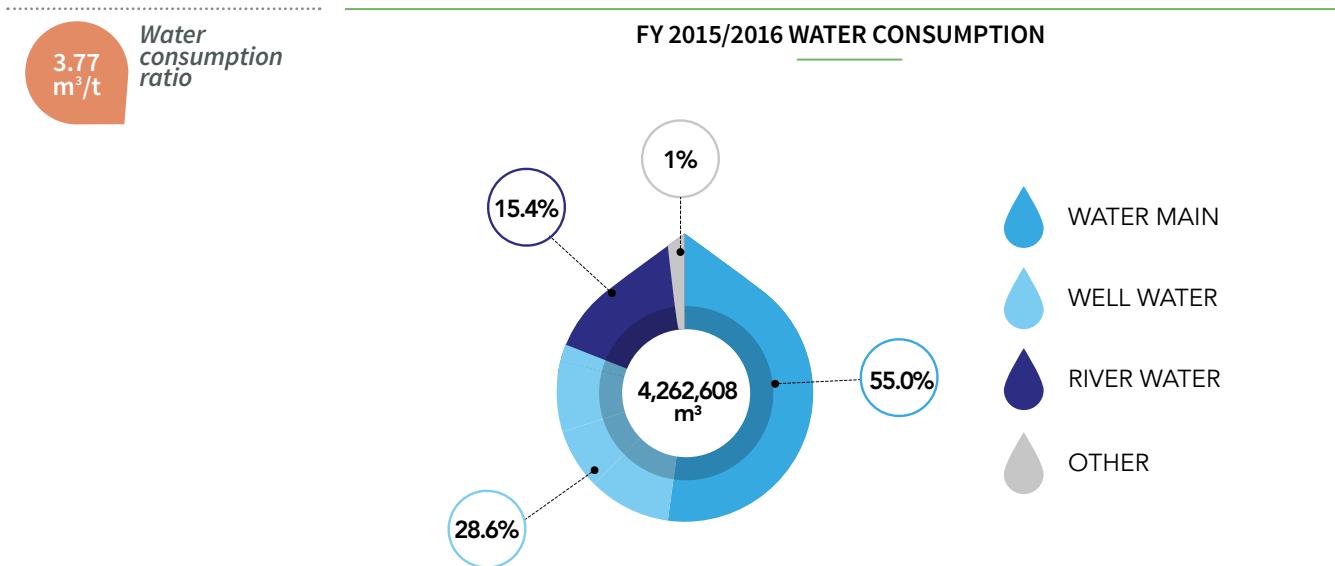
The workshop is part of the broader framework governed by the GrEEEn MaP ("Group Efficiency-in-Energy Master Plan", a medium-term energy efficiency plan). One of its main outcomes has been the launch of the "Minimum energy efficiency measures" project, which has the

dual aim of creating guidelines on the choices of measures to be taken at plants and to create a knowledge base on the use of measured data to improve energy efficiency. The project is due for completion in 2017.

Regarding the ISO 50001 certification project, it continues to follow the pre-established schedule, which foresees **certification for 17 production plants by 2020**. The Group is evaluating whether the certification target date can be extended for the remaining plants<sup>32</sup>. A multi-site certificate for five plants (Alba, Arlon, Cork, Stadtallendorf and Villers-Écalles) was obtained in the summer of 2016. Certification of the Manisa and Brantford plants is expected in FY 2016/2017.

## WATER

Water is becoming an increasingly valuable natural resource. Its consumption and handling at the Ferrero Group's factories and warehouses focuses on sustainability and responsibility.



32. These are: the Michele Ferrero Entrepreneurial Project plants, the new plant in China and the energy-generating sites.

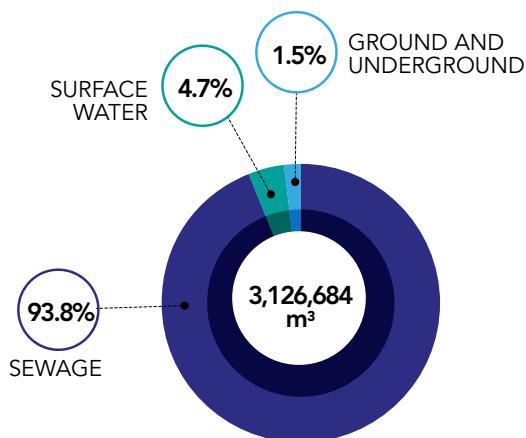
The water used in our products equals 3.7% of the total water consumption of the Group's plants. The remainder is used for industrial, technological and civil uses. The source of water withdrawal and incoming treatments – if and when permitted by the governing legislation and hydrogeological features of the plant itself – are chosen according to the final use, with the aim of minimizing the impact on the environment and other users.

A series of water consumption reduction techniques have been applied over the years at various plants. Even this year, the most important techniques have involved the improvement of cooling circuits; the

elimination of loss in water distribution networks; the optimization of existing plants; the implementation of water-saving techniques, such as Cleaning In Place (CIP) systems and the installation of automatic dispensers; and the adoption of cooling systems using water recirculation (e.g. evaporator towers).

Over the last two years, the Ferrero Group has seen a reduction in consumption. The water consumption ratio<sup>33</sup> per tonne **has dropped by 5%**. Indeed, efforts have been made to streamline the cleaning processes, to renovate some water and fire networks and carry out projects on the collection and reuse of rainwater.

#### FY 2015/2016 WASTEWATER



	UM	FY 2013/2014	FY 2014/2015
Wastewater	m <sup>3</sup>	3,096,749	3,126,684

Wastewater is constantly monitored and treated for 93.8% of its drainage volume, following pre-treatments or complex treatments, which are carried out in compliance with local regulations and specificities. Treatments are outsourced when possible. **The benefits of this are obvious:** composition characteristics often improve the treatment yield of external plants (which are often civil); there is a reduction in the consumption of chemicals within the plants; and there is improved hygiene. Continual commitment focuses on reducing pollutants in wastewater by finding alternative or more efficient washing methods, recovering raw materials from washes, training staff, installing automatic dosers and utilizing more ecological products.

33. The index is calculated based on tonnes produced in the reference years.

## ENVIRONMENTAL ACTIVITIES OF THE PLANTS

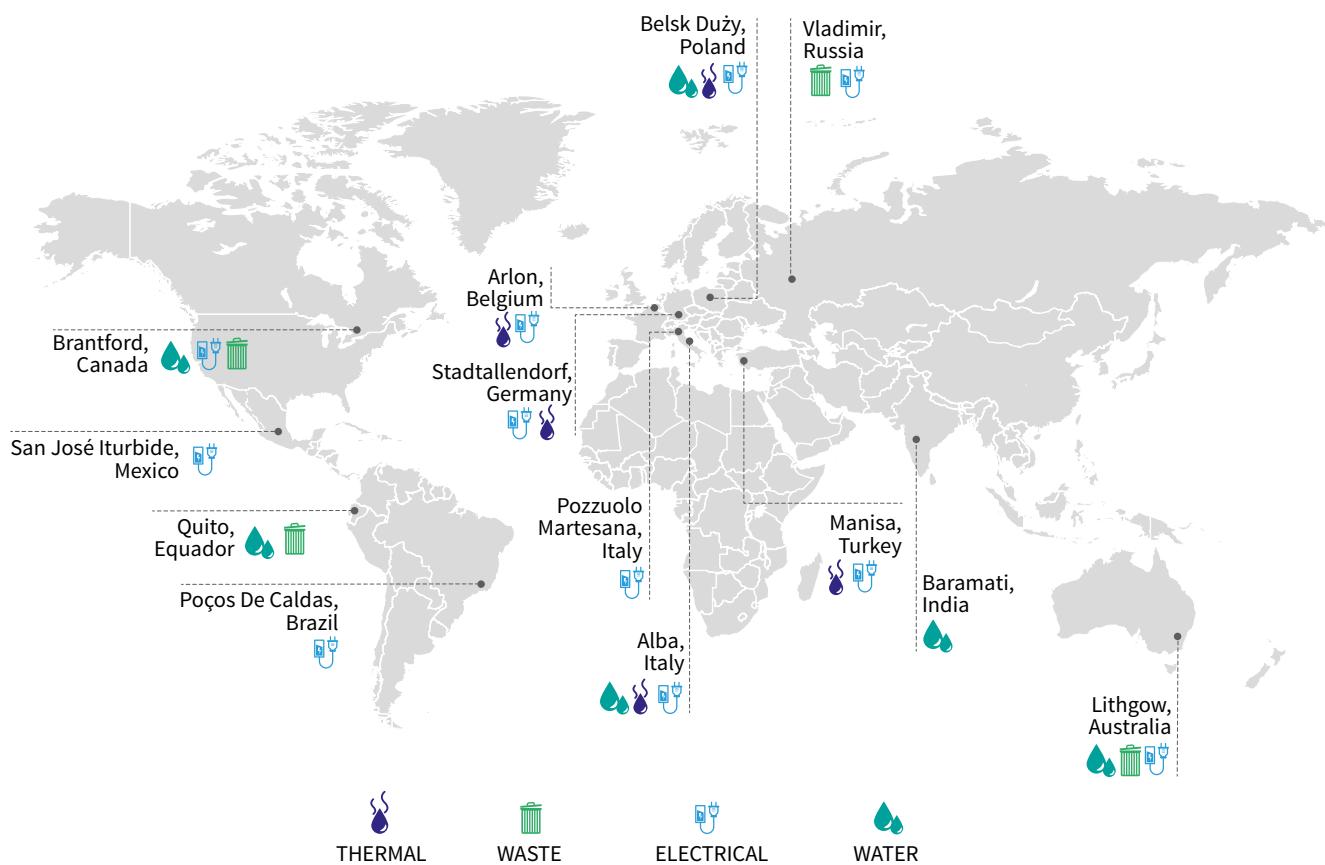
This global overview is aimed at showing the breadth of the Ferrero Group's efforts to improve environmental indicators and highlights significant projects carried out at a local level in four main areas:

**Electricity reduction** – e.g. LED light installations, installation of light sensors;

**Heat energy reduction** – e.g. rationalisation of the steam network, efficiencies in the cooling system, new absorbers;

**Waste reduction** – e.g. recovery programs, staff training, expansion of the waste collection area, waste material reduction thanks to the installation of dedicated machinery;

**Water reduction** – e.g. purchase of more efficient machinery or process modifications, with a resulting reduction in the number of machine washes.



In order to concretely confirm its commitment to reduce its environmental impacts, particularly regarding its production processes, the Ferrero Group aims to **obtain the ISO 14001 certification for the entire Group, including all of its plants and directly managed warehouses**. Based on this certification, which the Group is seeking to achieve on a voluntary basis, it has implemented its own Environmental Management System, based on continuous improvement, prevention and guidance in defining environmental objectives and targets.

To date, 15 production plants have already obtained the certification, falling under the scope of the multi-site certificate, which now covers more than 94% of the Group's total production output.

Said certification will be applied to the production plants in Mexico (San José), India (Baratati) and Turkey (Manisa)<sup>34</sup> by the end of 2017 and, by 2020, to the Walkerville and Yaoundé plants and all directly managed warehouses.

The Environmental Management certification is concomitant with the Group's ISO 50001 Energy Management certification<sup>35</sup>.

For both certification schemes, the **P.I.X.A. (Program of Internal eXchange of Auditors)** programme applies. This further expands the collaboration between the personnel involved and their professional development, facilitating the exchange of know-how and best practices within the Group. The programme has not changed in its form and allows engineers coming from plants that are different to those being audited or personnel covering central functions and who deal with environmental sustainability to participate in internal environmental and energy audits. Now in the third year of implementation, a total of 19 audits have been carried out, 6 of which were integrated with ISO 14001 and ISO 50001. 22 cross auditors participated in the 19 audits.

<sup>34</sup>. Plans to include the new Hangzhou factory in China, launched in FY 2015/2016 within the Group's multi-plant certification scheme, will be evaluated over the next few years.

<sup>35</sup>. For more information, see the section "Energy efficiency" in this chapter.

## 2. EMISSIONS

### EMISSIONS OF CO<sub>2</sub>EQ FROM PRODUCTION PROCESSES



The Group wants to grow as a low emissions business; to achieve this, it must reduce its environmental impact. Thus, it **measures and manages its Carbon Footprint**, focusing its efforts on technological innovation and collaboration regarding the environmental impacts of its own processes as well as the impacts of the entire supply chain<sup>36</sup>.

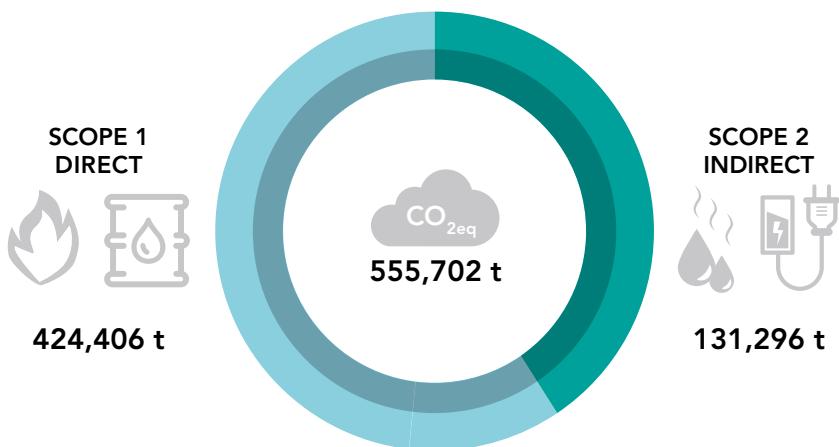
The CO<sub>2</sub>eq emissions from the Group's production activities and directly managed warehouses (Scope 1 and Scope 2) equalled 555,702 tonnes in FY 2015/2016<sup>37</sup>.

The increase in the Group's overall CO<sub>2</sub>eq emissions is mainly due to the inclusion of the emissions from the Alba Power power plant in the reporting scope and during the entire FY 2015/2016, which was not previously considered because it was an external supplier owned by third parties and today is a part of the Group.

<sup>36</sup>. For emission data for the entire supply chain, please see the paragraph on "The FER-Way Project".

<sup>37</sup>. The CO<sub>2</sub> emission coefficients of the country's electricity generation systems are derived from the database attached to the document "IEA CO<sub>2</sub> Emissions from FUEL COMBUSTION Highlights (2015 Edition)" (data referring to 2013) and from the Ecoinvent 3.1 database. The emission factors related to the conversion of energy from fuels come from the UNFCCC national inventory (average values for the years 2012-2014). Products made in-house from renewable sources and the electricity supply from a marketplace certified by renewable sources do not contribute to greenhouse gas emissions. The lack of emissions of the share of electricity input into the grid from plants powered by renewable sources of S. Angelo Dei Lombardi and Balvano was attributed to the Ferrero Group.

#### FY 2015/2016 CO<sub>2</sub>EQ EMISSIONS



Regarding the 2020 objective to reduce the CO<sub>2eq</sub> emissions of production processes by 40% compared to 2007, with the entry of Alba Power it is worth noting an emissions<sup>38</sup> increase of 33%.

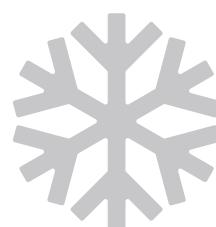
Variations compared to last year are given below:

	<b>UM</b>	<b>FY 2014/2015<sup>39</sup></b>	<b>FY 2015/2016</b>
GWP emission ratio	kg CO <sub>2eq</sub> /t	364	483
Total emissions (Scope 1 e 2)	t CO <sub>2eq</sub>	406,911	555,702
Scope 1 emissions	t CO <sub>2eq</sub>	209,148	424,406
Scope 2 emissions	t CO <sub>2eq</sub>	197,764	131,296

Regarding refrigerant gas emissions<sup>40</sup>, the trend shows a 11% decrease for one of the two indicators of gas leak emissions of the refrigerating systems, the ODP (Ozone Depletion Potential, or rather the potential distribution of atmospheric ozone due to the introduction of a substance in the air, given in terms of R11 equivalents, gas with ODP equal to 1). It also shows an increase in 24% for the other indicator, the GWP (Global Warming Potential, i.e. the contribution to the greenhouse effect by a refrigerant gas released into the atmosphere, given in CO<sub>2</sub> equivalents). Cooling gas losses are not significant and, therefore, their impact is limited. In any case, preventative maintenance operations for networks containing refrigerant gases will continue.

#### FY 2015/2016 REFRIGERANT GAS EMISSIONS

**ODP**  
85  
kg R11<sub>eq</sub>



**GWP**  
14,190  
t CO<sub>2eq</sub>

38. The index is calculated based on tonnes produced in the reference years.

39. FY 2014/2015 data were updated according to adjustments made after 2015 CSR report publication.

40. Data for the 18 production plants and the 13 directly managed Ferrero warehouses are included in the reporting scope of this chapter.



## CO<sub>2</sub>EQ EMISSIONS OF LOGISTICS

The Ferrero Group continues to work to deepen the knowledge and improve the performance of its logistics activities. The chosen approach not only anticipates what the United Nations highlighted in the 2016 report "Mobilizing Sustainable Transport for Development", but also provides further insight into the knowledge of Ferrero's processes in order to identify the sensitive areas in which to intervene.

### KNOW

#### Expanding the scope

As part of the LODICO (LOGistics Data Improvement COllection) project, we have consolidated our logistics data collection, expanding the scope to include warehouses that the Group does not directly manage, from FY 2014/2015.

is to share logistics projects in order to improve environmental performance. Each of the signatories has selected their own initiatives and set three-year emission reduction targets.

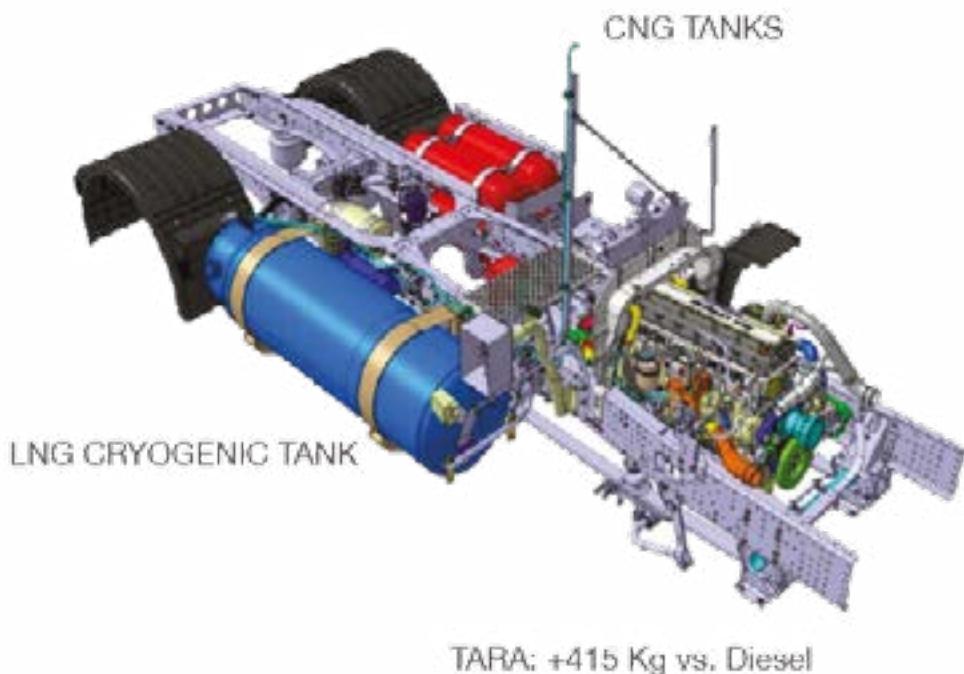
In this context, the Group has adopted two initiatives:

- The CRC innovative services project – aimed at sharing routes from a centralized common platform to increase vehicle saturation and reduce mileage.
- Customer backhauling – aimed at sharing travel with customers to reduce the number of empty trucks on return.

### AVOID

#### Reduced mileage and increased saturation of vehicles

FRET 21: this voluntary agreement, which is valid across France, was signed in May 2015 with 9 other French companies and its aim



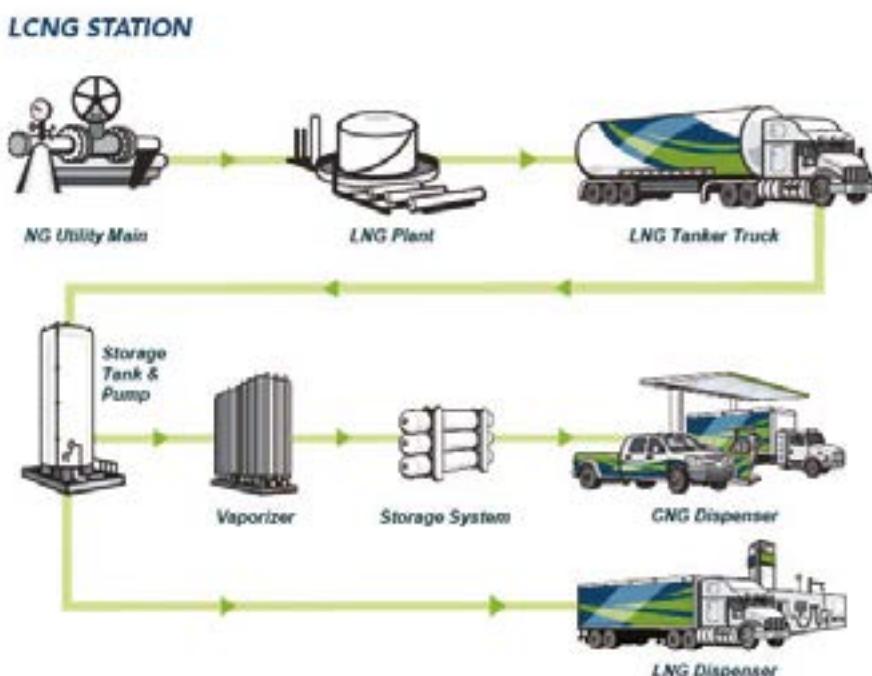
**SHIFT****Vehicle selection with a lower environmental impact**

Natural gas fueled trucks (or biogas) in liquid (LNG) or compressed (CNG) state, is a major technological advancement that the Ferreiro Group has utilised since 2013 for some routes in the UK and since 2014 for some routes in Italy.

Having the same performance in the transport phase, the environmental performance of natural gas compared to diesel fuel-only technology improves significantly<sup>41</sup>:

- -10% CO<sub>2</sub> emissions (up to -100% in the case of biogas);
- -35% NO<sub>x</sub> emissions;
- -95% PM emissions;
- perceived noise in the human ear: **4 times less.**

Trucks can be LNG fueled, CNG fueled or a mix of LNG/CNG fueled, as shown previously. To promote the adoption of this technology, the European project “LNG blue corridors” is working to develop a more extensive network of LNG distributors throughout Europe.



*41. Fonti: IVECO, LC3 Trasporti.*

## IMPROVE

### **Energy savings in directly managed warehouses**

The Ferrero Group is planning to install LED lighting in the main building of its new warehouse in Germany to reduce energy consumption. This will save 86 MWh and 49.5 tonnes of CO<sub>2eq</sub> per year, equivalent to the annual consumption of 23 households.

### **Certification of storage sites**

The Group is working to achieve the ISO 14001 certification for all directly managed storage sites by 2020. As of August 31, 2016, 58% of Ferrero's managed storage sites were ISO 14001 certified.

During FY 2015/2016 4 Italian warehouses were certified, whilst a separate plan was defined to certify the 3 remaining warehouses by FY 2016/2017.

### **The Group's first self-evaluation on safety**

Safety is an ever-increasing issue at sites with a high turnover of goods. The evolution of warehouse machinery and in automated processes can lead to greater risks in daily operations.

In order to avoid accidents and prevent risks, Ferrero has launched a project aimed at sharing knowledge at a Group level on all safety procedures. The project, launched in FY 2015/2016, saw its first results in FY 2016/2017.

The first self-assessment carried out in Ferrero owned warehouses or warehouses under Group management (17 countries, 42 warehouses) was a success and has shown that processes and machinery already have high safety levels.

Potential areas for improvement have already been identified and will be integrated into the existing action plan.

Starting today, safety improvements in our warehouses will be measured and improved continuously, to first of all avoid accidents with personnel, but also prevent damages to goods, equipment and facilities.

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**IN FY 2015/2016 EMISSIONS FROM FREIGHT TRANSPORT AND STORAGE AMOUNTED TO 401,110 TONNES CO<sub>2EQ</sub>, IN LINE WITH DATA FROM THE PREVIOUS YEAR. THIS FIGURE DROPPED BY 3% PER TONNE SOLD COMPARED TO FY 2014/2015, DUE TO ACTIONS TAKEN TO REDUCE THE ENVIRONMENTAL IMPACT.**

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### 3. WASTE MANAGEMENT



In line with the Ferrero Group's policy of pursuing **widespread waste reduction and improved production chain management**, and in line with European Union guidelines for improving waste recovery rates, the Group's production plants and warehouses have for years focused on reducing their waste production and recovering waste. The increase in waste produced requires specific analysis, both locally and by the Group. Given the complexity of the issue, medium to long-term implementation plans are required. This complexity stems from the growing number of the Group's plants and warehouses – in terms of numbers, activity and production output – and their different geographic locations, as well as their differing national management schemes and regulatory situations.

In view of this, the Group has been working on several fronts:

- data analysis to research different waste types and their contribution to global values has commenced at a Group level and will require detailed local data in the upcoming period;
- a project aimed at improving group information sharing and staff training has begun. It supplements local activities already underway, which were initiated in past years. Internal courses have been developed on waste reduction, not only to train staff in regulatory compliance, but also to collect best practices in countries with superior waste management systems and share them with all plants and warehouses in the Group;
- the continued launch of local projects geared toward, for example, reducing production waste at the source, in collaboration with processors; waste differentiation in various production areas; projects to raise waste reduction awareness among internal staff and external firms working with plants; and the identification of suppliers offering the more efficient waste recovery processes and/or treatment solutions.

*Waste production ratio*

88.8  
kg/t

#### FY 2015/2016 WASTE PRODUCTION AND RECOVERY INDEX



**102,299 t**



**95%**

Recovery index

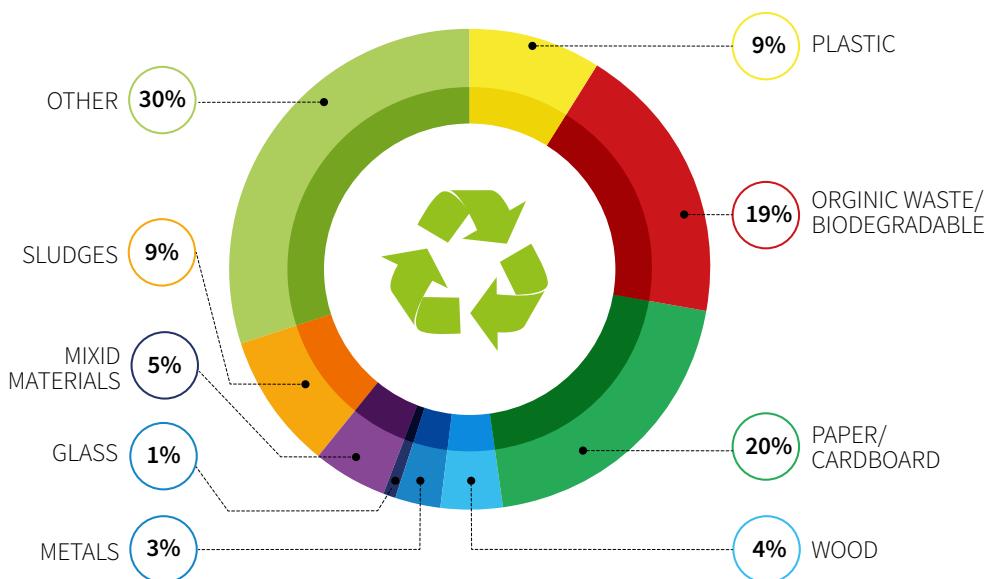
	UM	FY 2013/2014	FY 2014/2015 <sup>39</sup>
Waste production ratio	kg/ton	64.17	79.5
Total waste	ton	68,576	88,973
% waste recovery	%	91.6	91.6

The Group's waste production index<sup>42</sup> increased again this year, up 15% from the previous year.

**The Group's waste recovery rate increased by 3.7%** compared to the previous year; this increase is due to the non-European plants applying the Group's policies in addition to their own in-country requirements, demonstrating the first successful results of the Group's waste recovery action plan.

The following chart provides the distribution by weight of the different type of waste recovered in the 18 production plants and 13 directly managed warehouses:

**FY 2015/2016 TYPES OF WASTE RECOVERED BY WEIGHT**



One percent of the total waste produced is considered "hazardous" waste; this typology of waste is produced by activities of analysis and control (chemical, physical, microbiological) and by maintenance activities.

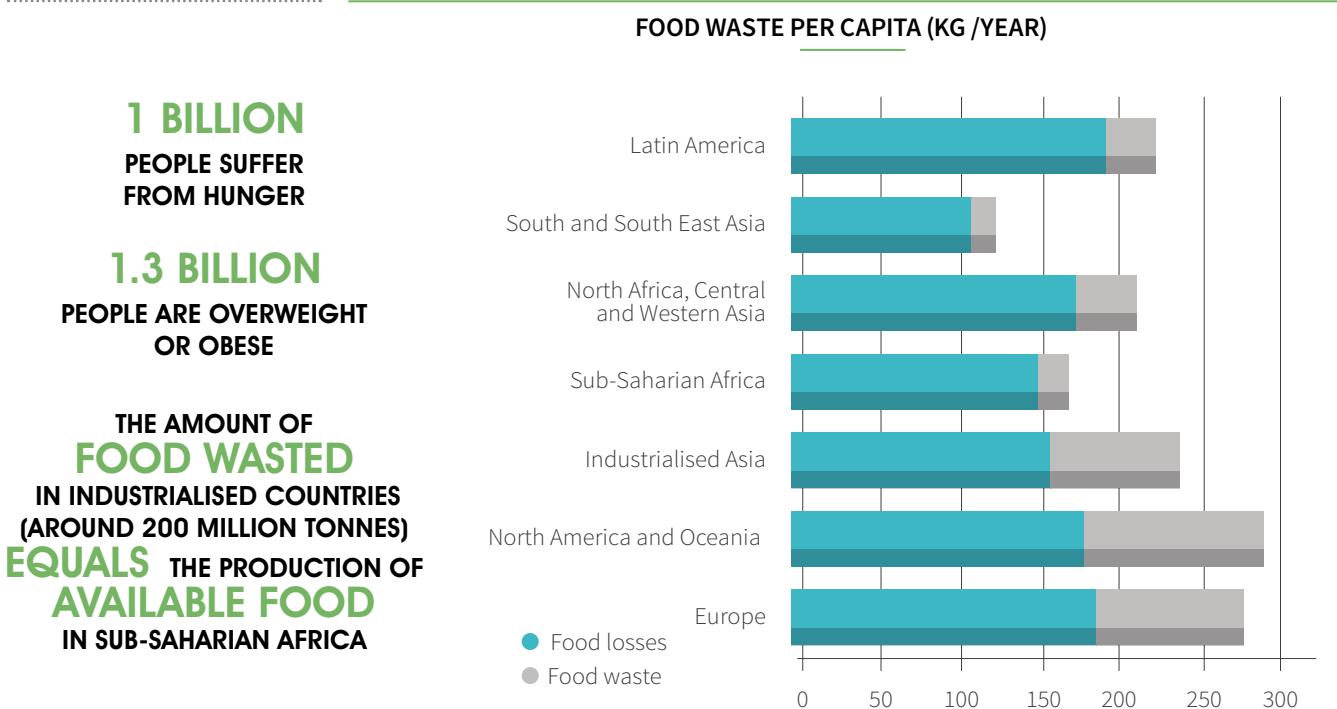
In the year covered in this report, no significant spills or leaks of hazardous waste or accidents involving hazardous waste occurred in any of the Group's 18 production plants and 13 directly managed warehouses.

42. The index is calculated on tonnes produced in the reference years.

## FOOD WASTE

Around 1.3 billion tonnes of food<sup>43</sup> is wasted each year across the world, representing one third of all food produced for human consumption. Food waste is generated in all phases of the food supply chain and can be divided into two types:

- **Food losses:** produced during planting, cultivating, harvesting, processing, conservation and the early stages of agricultural transformation;
- **Food waste:** produced during industrial processing, distribution and final consumption.



INDUSTRIALISED COUNTRIES	DEVELOPING COUNTRIES
Production that exceeds demand	Poor production planning
Demand for higher quality fresh produce	Production problems / Premature harvest
Disposal is more affordable than the implementation of waste re-use programmes	Shortages in storage, packaging and infrastructure facilities
Abundance and modern consumer attitudes	Lack of suitable processing structures
	Need to destroy unsafe food for humans or animals (e.g. due to contamination or mismanagement)

<sup>43</sup>. Source: FAO. 2011. Global food losses and food waste – Extent, causes and prevention. Rome.

## HOW TO PREVENT IT?

1. Promote cooperation between agricultural producers to diversify production and optimize resources.
2. Encourage the creation of cooperatives to facilitate access to distribution.
3. Invest in infrastructure and facilities in developing countries.
4. Shorten the distribution chain to promote the direct exchange between producer and consumer.
5. Train operators to improve product management.
6. Involve consumers to consider making the quality standards of final distributors less restrictive, in terms of product weight, size and appearance.
7. Develop sub-contracts for the management of non-standard products.
8. Educate consumers on wiser consumption habits, especially in industrialized countries.



## 4. PROTECTION OF NATURAL ECOSYSTEM



The business of the Ferrero Group, as part of the global ecosystem, can generate impact through its direct activities or along the supply chain. Once the elements of the ecosystem are identified, it is very important to actively conserve them. In particular, for a food company like Ferrero, **biodiversity, deforestation and use of the soil are considered key elements.**

### BIODIVERSITY

The below 21 production plants in scope are not located in any protected or highly biodiverse areas, nor do they have significant environmental impacts on these areas. The investigation was conducted through an in-house analysis<sup>44</sup> and, for the European areas, through the European Environmental Agency (EEA) website. The investigation includes only a few cases in which protected areas were located adjacent to Ferrero plants (less than 2 km). Ferrero is not aware of any activities in these areas that might be causing significant impacts on biodiversity.

#### BIODIVERSITY

PLANT	TYPE OF AREA	PROTECTED AREA	IUCN CAT.	DISTANCE (KM)	AREA (HA)
S. Angelo dei Lombardi (Italy)	NATURA 2000 (SCI)	Querceta dell'Incoronata (Nusco)	Not Applicable	0.5	1,363
S. Angelo dei Lombardi (Italy)	NATURA 2000 (SCI)	Alta Valle del Fiume Ofanto	Not Applicable	2	590.3959
Villers-Écalles (France)	Regional Nature Park	Boucles de la Seine normande Regional Nature Park	V	1.5	80,797
Stadtallendorf (Germany)	NATURA 2000 (SCI)	Herrenwald östlich Stadtallendorf	Not Applicable	1.5	2,706.0628
Stadtallendorf (Germany)	NATURA 2000 (SCI)	Brückerwald und Hußgeweid	Not Applicable	2	407.7080
Stadtallendorf (Germany)	Landscape Protection Area	Auenverbund Lahn-Ohm	V	2	5,915.40
Belsk Duży (Poland)	Nature Reserve	Modrzewina	IV	2	336.95
Brantford (Canada)	Local Park	Brant Conservation Area	Not Applicable	1.5	n.a.

44. The analysis includes the 21 production plants of the Ferrero Group in operation as of August 31, 2016.



GOLD Community members are GRI's core supporters. They are at the heart of the community shaping the future of sustainability and reporting, and empowering decision making towards a more sustainable economy and world.

Submitting a Social Responsibility report for one of the GRI Alignment Services is a signal to stakeholders that the reporting organization has made a good faith attempt to produce its report in a manner that is consistent with the GRI Sustainability Reporting Standards. Reports that are properly aligned with the GRI Sustainability Reporting Standards are more transparent as the data included is more accessible and easier to use.

The Ferrero Group, for its 8th CSR report, applied for the GRI Content Index Service that helps report preparers improve the accuracy and usability of the GRI Content Index and ensures its alignment with the GRI Sustainability Reporting Standards.

The GRI Content Index is the central navigation tool that acts as the first point of reference for report users. This service confirms that the GRI Content Index is accurate, and that all included disclosures are included correctly in the report itself.

# SUSTAINABLE DEVELOPMENT GOALS

The following table links the Sustainable Development Goals (SDGs) to the relevant indicators and disclosures of the GRI Standards and Sector Disclosures contained in the Corporate Social Responsibility Report 2016. The GRI Content Index is available in the section “Our CSR Reports” of our website [www.ferreroCSR.com](http://www.ferreroCSR.com)

Business Theme	Relevant GRI Standard or Sector Disclosure	Disclosure		Page Number
 <b>End poverty in all its forms everywhere</b>				
Access to land	GRI 413: Local Communities (2016)	413-2	Operations with significant actual and potential negative impacts on local communities	30-31; 57; 170; 172; 183; 187-188; 193-196; 202-203; 207-209; 216-219
Availability of products and services for those on low incomes	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Earnings, wages and benefits	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	99
Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
 <b>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>				
Access to land	GRI 413: Local Communities (2016)	413-2	Operations with significant actual and potential negative impacts on local communities	30-31; 57; 170; 172; 183; 187-188; 193-196; 202-203; 207-209; 216-219
Changing the productivity of organizations, sectors, or the whole economy	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Food safety	G4 Sector Disclosures: Food Processing	FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	45-50
		FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
Genetic diversity of farmed and domesticated animals	G4 Sector Disclosures: Food Processing	FP9	Percentage and total of animals raised and/or processed, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>	<b>Disclosure</b>		<b>Page Number</b>
Healthy and affordable food	G4 Sector Disclosures: Food Processing	FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	39-40
		FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	Ferrero products contain fiber and micronutrients like vitamins and minerals, naturally present in the raw materials used, without artificial supplements
Indigenous rights	GRI 411: Rights of Indigenous Peoples (2016)	411-1	Incidents of violations involving rights of indigenous peoples	27
Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	26
	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	57; 76-86; 133-142; 146-149; 173-181; 196-200
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	12-13; 30; 51; 73; 166-167; 170; 183; 207; 211; 226



### Ensure healthy lives and promote wellbeing for all at all ages

Access to medicines	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Air quality	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	216; 238-239
		305-2	Energy indirect (Scope 2) GHG emissions	216; 238-239
		305-3	Other indirect (Scope 3) GHG emissions	216; 239; 242
		305-6	Emissioni di sostanze nocive per lo strato di ozono	239
		305-7	Nitrogen oxides ( $\text{NO}_x$ ), sulfur oxides ( $\text{SO}_x$ ), and other significant air emissions	Ferrero doesn't produce other significant air emissions
Occupational health and safety	GRI 403: Occupational Health and Safety (2016)	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	98; 106-108 Currently the injury rates of employees by gender, the injury rates of contractors and the data concerning the absenteeism are currently not available for all the countries in which the Group operates; in the coming years we will further develop our data collection process
Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	244
		306-2	Waste by type and disposal method	244
Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	236

Business Theme	Relevant GRI Standard or Sector Disclosure	Disclosure		Page Number
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all				
Employee training and education	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	117
 Achieve gender equality and empower all women and girls				
Equal remuneration for women and men	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	99
	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	100-101
Gender equality	GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	93-95
	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	117
		404-3	Percentage of employees receiving regular performance and career development reviews	119
	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	90-92
Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	26
	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	57; 76-86; 133-142; 146-149; 173-181; 196-200
Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken	27
Parental leave	GRI 401: Employment (2016)	401-3	Parental leave	95-97 Currently not available for all the countries in which the Group operates; in the coming years we will further develop our data collection process
Gender equality	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	90-92
Workplace violence and harassment	GRI 414: Supplier Social Assessment (2016)	414-1	New suppliers that were screened using social criteria	30-31; 71-73; 170-171; 183; 193-194; 198; 207
		414-2	Negative social impacts in the supply chain and actions taken	10-11; 30-31; 71-73; 170-171; 183; 193-194; 198; 207
 Ensure availability and sustainable management of water and sanitation for all				
Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	244
Sustainable water withdrawals	GRI 303: Water (2016)	303-1	Water withdrawal by source	235
		303-2	Water sources significantly affected by withdrawal of water	236
Waste	GRI 306: Effluents and Waste (2016)	306-2	Waste by type and disposal method	244
Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused	236
Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	236

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>	<b>Disclosure</b>		<b>Page Number</b>
Water recycling and reuse	GRI 303: Water (2016)	303-3	Water recycled and reused	236
Water-related ecosystems and biodiversity	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	247
		304-2	Significant impacts of activities, products, and services on biodiversity	191; 226; 247
	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	236
		306-2	Waste by type and disposal method	244
 <b>Ensure access to affordable, reliable, sustainable and modern energy for all</b>				
Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	232
		302-3	Energy intensity	232
		302-4	Reduction of energy consumption	232-235; 237-238; 242
Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	26
	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	57; 76-86; 133-142; 146-149; 173-181; 196-200
Renewable energy	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	232
 <b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>				
Abolition of child labor	GRI 408: Child Labor (2016)	408-1	Operations and suppliers at significant risk for incidents of child labor	30-31; 71-73; 165-166; 172; 175; 181; 186; 190; 196; 200
Changing the productivity of organizations, sectors, or the whole economy	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Diversity and equal opportunity	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	90-92
Earnings, wages and benefits	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	99
Economic performance	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	26
Elimination of forced or compulsory labor	GRI 409: Forced or Compulsory Labor (2016)	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	30-31; 71-73; 165-166; 172; 186; 190; 196
Employee training and education	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	117
		404-2	Programs for upgrading employee skills and transition assistance programs	112-116
		404-3	Percentage of employees receiving regular performance and career development reviews	119

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>	<b>Disclosure</b>		<b>Page Number</b>
Employment	GRI 102: General Disclosures (2016)	102-8	Information on employees and other workers	88-89; 91-93
	GRI 202: Market Presence (2016)	202-2	Proportion of senior management hired from the local community	103
	GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	93-95
Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	232
		302-3	Energy intensity	232
		302-4	Reduction of energy consumption	232-235; 237-238; 242
Equal remuneration for women and men	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	100-101
Freedom of association and collective bargaining	GRI 102: General Disclosures (2016)	102-41	Collective bargaining agreements	99
	GRI 407: Freedom of Association and Collective Bargaining (2016)	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	30-31; 71-73; 165-166
Indirect impact on job creation	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Jobs supported in the supply chain	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Labor practices in the supply chain	GRI 414: Supplier Social Assessment (2016)	414-1	New suppliers that were screened using social criteria	30-31; 71-73; 170-171; 183; 193-194; 198; 207
		414-2	Negative social impacts in the supply chain and actions taken	10-11; 30-31; 71-73; 170-171; 183; 193-194; 198; 207
Labor/management relations	GRI 402: Labor Management Relations (2016)	402-1	Minimum notice periods regarding operational changes	104
	G4 Sector Disclosures: Food Processing	FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	104
Materials efficiency	GRI 301: Materials (2016)	301-1	Materials used by weight or volume	23; 170; 183; 220; 224
		301-2	Recycled input materials used	220; 224
Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken	27
Occupational health and safety	GRI 403: Occupational Health and Safety (2016)	403-1	Workers representation in formal joint management-worker health and safety committees	104
		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	98; 106-108 Currently the injury rates of employees by gender, the injury rates of contractors and the data concerning the absenteeism are currently not available for all the countries in which the Group operates; in the coming years we will further develop our data collection process
		403-4	Health and safety topics covered in formal agreements with trade unions	104-105

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>	<b>Disclosure</b>		<b>Page Number</b>
Parental leave	GRI 401: Employment (2016)	401-3	Parental leave	95-97 Currently not available for all the countries in which the Group operates; in the coming years we will further develop our data collection process
Resource efficiency of products and services	GRI 301: Materials (2016)	301-3	Reclaimed products and their packaging materials	224-225
Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused	236
Youth employment	GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	93-95
 <b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster</b>				
Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	26
	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	57; 76-86; 133-142; 146-149; 173-181; 196-200
Research and development	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	26
 <b>Reduce inequality within and among countries</b>				
Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
Equal remuneration for women and men	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	100-101
Foreign direct investment	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	32; 76-87; 129-133; 193-194
 <b>Make cities and human settlements inclusive, safe, resilient and sustainable</b>				
Infrastructure investments	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	57; 76-86; 133-142; 146-149; 173-181; 196-200
 <b>Ensure sustainable consumption and production patterns</b>				
Air quality	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	216; 238-239
		305-2	Energy indirect (Scope 2) GHG emissions	216; 238-239
		305-3	Other indirect (Scope 3) GHG emissions	216; 239; 242
		305-6	Emissions of ozone-depleting substances (ODS)	239
		305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	Ferrero doesn't produce other significant air emissions

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>	<b>Disclosure</b>		<b>Page Number</b>
Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	232
		302-3	Energy intensity	232
		302-4	Reduction of energy consumption	232-235; 237-238; 242
Materials efficiency/recycling	GRI 301: Materials (2016)	301-1	Materials used by weight or volume	23; 170; 183; 220; 224
		301-2	Recycled input materials used	220; 224
Procurement practices	GRI 204: Procurement Practices (2016)	204-1	Proportion of spending on local suppliers	32
Product and service information and labeling	GRI 417: Marketing and Labeling (2016)	417-1	Requirements for product and service information and labeling	52; 55-56; 74-75
Resource efficiency of products and services	GRI 301: Materials (2016)	301-3	Reclaimed products and their packaging materials	224-225
Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	244
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	12-13; 30; 51; 73; 166-167; 170; 183; 207; 211; 226
Transport	GRI 302: Energy (2016) GRI 305: Emissions (2016)	302-1	Energy consumption within the organization	232
		305-1	Direct (Scope 1) GHG emissions	216; 238-239
		305-2	Energy indirect (Scope 2) GHG emissions	216; 238-239
		305-3	Other indirect (Scope 3) GHG emissions	216; 239; 242
Waste	GRI 306: Effluents and Waste (2016)	306-2	Waste by type and disposal method	244
Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused	236
Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	236
 <b>Take urgent action to combat climate change and its impacts</b>				
Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	232
		302-3	Energy intensity	232
		302-4	Reduction of energy consumption	232-235; 237-238; 242

Temi	Relevant GRI Standard or Sector Disclosure	Disclosure		Page Number
GHG emissions	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	216; 238-239
		305-2	Energy indirect (Scope 2) GHG emissions	216; 238-239
		305-3	Other indirect (Scope 3) GHG emissions	216; 239; 242
		305-4	GHG emissions intensity	239
		305-5	Reduction of GHG emissions	216; 238-239; 242
		305-6	Emissions of ozone-depleting substances (ODS)	239
		305-7	Nitrogen oxides ( $\text{NO}_x$ ), sulfur oxides ( $\text{SO}_x$ ), and other significant air emissions	Ferrero doesn't produce other significant air emissions
Risks and opportunities due to climate change	GRI 201: Economic Performance (2016)	201-2	Financial implications and other risks and opportunities due to climate change	204; 214-215
 <b>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>				
Marine biodiversity	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	247
		304-2	Significant impacts of activities, products, and services on biodiversity	191; 226; 247
Ocean acidification	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	216; 238-239
		305-2	Energy indirect (Scope 2) GHG emissions	216; 238-239
		305-3	Other indirect (Scope 3) GHG emissions	216; 239; 242
		305-4	GHG emissions intensity	239
		305-5	Reduction of GHG emissions	216; 238-239; 242
Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	244
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	12-13; 30; 51; 73; 166-167; 170; 183; 207; 211; 226
Water discharge to oceans	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	236

Temi	Relevant GRI Standard or Sector Disclosure		Disclosure	Page Number
 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss				
Deforestation	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	12-13; 30; 51; 73; 166-167; 170; 183; 207; 211; 226
Forest degradation	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	216; 238-239
		305-2	Energy indirect (Scope 2) GHG emissions	216; 238-239
		305-3	Other indirect (Scope 3) GHG emissions	216; 239; 242
		305-4	GHG emissions intensity	239
		305-5	Reduction of GHG emissions	216; 238-239; 242
		305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	Ferrero doesn't produce other significant air emissions
Genetic diversity of farmed and domesticated animals	G4 Sector Disclosures: Food Processing	FP9	Percentage and total of animals raised and/or processed, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
Mountain ecosystems	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	247
		304-2	Significant impacts of activities, products, and services on biodiversity	191; 226; 247
Natural habitat degradation	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	247
		304-2	Significant impacts of activities, products, and services on biodiversity	191; 226; 247
Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	244
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	12-13; 30; 51; 73; 166-167; 170; 183; 207; 211; 226

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>	<b>Disclosure</b>		<b>Page Number</b>
Terrestrial and inland freshwater ecosystems	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	247
		304-2	Significant impacts of activities, products, and services on biodiversity	191; 226; 247
 <b>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>				
Abolition of child labor	GRI 408: Child Labor (2016)	408-1	Operations and suppliers at significant risk for incidents of child labor	30-31; 71-73; 165-166; 172; 175; 181; 186; 190; 196; 200
Anti-corruption	GRI 205: Anti-corruption (2016)	205-2	Communication and training about anti-corruption policies and procedures	27
		205-3	Confirmed incidents of corruption and actions taken	27
	GRI 415: Public Policy (2016)	415-1	Political contributions	Ferrero does not allow behaviours that offer, promise, ask or deliver an undue pecuniary benefit or otherwise, to public officials and/or officers and/or members of their families and/or commercial partners, with the intention to bribe, directly or indirectly. Ferrero does not allow contributions to political parties and/or candidates for public office
Compliance with laws and regulations	GRI 307: Environmental Compliance (2016)	307-1	Non-compliance a regolamenti e leggi in materia ambientale	27
	GRI 206: Anti-competitive Behavior (2016)	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	27; 31
	GRI 419: Socioeconomic Compliance (2016)	419-1	Non-compliance with laws and regulations in the social and economic area	27
	GRI 416: Customer Health and Safety (2016)	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	27; 73
	GRI 417: Marketing and Labeling (2016)	417-1	Requirements for product and service information and labeling	52; 55-56; 74-75
		417-2	Incidents of non-compliance concerning product and service information and labeling	27
	GRI 418: Customer Privacy (2016)	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	27
	GRI 419: Socioeconomic Compliance (2016)	419-1	Non-compliance with laws and regulations in the social and economic area	27

<b>Business Theme</b>	<b>Relevant GRI Standard or Sector Disclosure</b>			<b>Disclosure</b>	<b>Page Number</b>
Ethical and lawful behavior	GRI 102: General Disclosures (2016)	102-16		Values, principles, standards, and norms of behavior  <a href="https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment">https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment</a>  <a href="https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles">https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles</a>	30-31; 39; 44-45; 66-69; 164; 167-168; 181-184; 196-197; 210; 212-213; 222
Non-discrimination	GRI 406: Non-discrimination (2016)	406-1		Incidents of discrimination and corrective actions taken	27
Protection of privacy	GRI 418: Customer Privacy (2016)	418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	27
Workplace violence and harassment	GRI 414: Supplier Social Assessment (2016)	414-1		New suppliers that were screened using social criteria	30-31; 71-73; 170-171; 183; 193-194; 198; 207
		414-2		Negative social impacts in the supply chain and actions taken	10-11; 30-31; 71-73; 170-171; 183; 193-194; 198; 207
 <b>Strengthen the means of implementation and revitalize the global partnership for sustainable development</b>					
Foreign direct investment	GRI 203: Indirect Economic Impacts (2016)	203-2		Significant indirect economic impacts	32; 76-87; 129-133; 193-194

## INDEPENDENT AUDITORS' REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

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

We have carried out a limited assurance engagement on the Corporate Social Responsibility Report (the "Sustainability Report") of the Ferrero Group (the "Group") as of August 31, 2016.

### *Directors' responsibility on the Sustainability Report*

The Directors are responsible for the preparation of the Sustainability Report in accordance with "GRI Sustainability Reporting Standards" (2016) and "Food Processing Sector Disclosures" (2014), both issued by GRI - Global Reporting Initiative, as stated in the paragraph "About this Report" of the CSR Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

### *Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* 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.

### *Auditors' responsibility*

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement.

The procedures performed on the Sustainability Report included inquiries, primarily with company personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

These procedures consisted in verifying its compliance with the standard "GRI 101: Foundation" for defining report content and quality, and are summarised as follows:

- comparing the economic and financial information and data reported in the chapter "The Group" of the Sustainability Report with those included in the Group Consolidated Financial Statements as of August 31, 2016, on which Deloitte Audit Société à responsabilité limitée issued the auditors' report, dated February 24, 2017;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Group;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
  - interviews and discussions with the management of Ferrero Group to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
  - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the standards identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the legal representative of Ferrero International S.A., on the compliance of the Sustainability Report with the standards identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report the Ferrero Group as of August 31, 2016 is not prepared, in all material respects, in accordance with the "GRI Sustainability Reporting Standards" (2016) and "Food Processing Sector Disclosures" (2014) both issued by GRI – Global Reporting Initiative, as stated in the paragraph "About this Report" of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Franco Amelio**  
Partner

Milan, Italy  
November 24, 2017



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