Ferrero operates in the United Kingdom and Ireland and is present with the following units:

- Ferrero UK, based in Greenford, which is responsible for marketing Ferrero products and brands to customers and consumers throughout the UK and Ireland, plus the Isle of Man and the Channel Islands.
- Ferrero Ireland, based in Cork, which manufactures Tic Tac® for the UK and Ireland and also exports to more than 40 other markets around the world.

At the end of August 2015, Ferrero also acquired Thorntons, the iconic British manufacturer and retailer of chocolate confectionery. This acquisition added a factory and head office in Alfreton, Derbyshire, and more than 200 shops located throughout the UK and Ireland.

The process of integrating Thorntons into the Ferrero Group, in order to grow the business and its brands, is underway, but largely falls outside the time period of this report.

Ferrero first came to the UK in 1966, and to Ireland in 1975, and has launched numerous brands which have fast become household favourites in these markets. These include NUTELLA®, Tic Tac®, KINDER® Surprise, Ferrero Rocher, KINDER® Chocolate, KINDER® Bueno, Raffaello and Ferrero Rocher Collection.

**Ferrero is one of the fastest growing confectionery businesses in the UK** – with a value growth of 24% in the market and adding nearly 50 million Pounds in value to the category in FY 2014/2015⁹.

**Growth is also rapid in Ireland**, with a value growth of 21.3% in the market and adding nearly 3.5 million Euros in value to the category in FY 2014/2015¹⁰.

The acquisition of Thorntons announced in summer 2015 has made Ferrero the fourth largest confectioner in the UK with 3,467 employees at 31st August 2015, an 18.8% value share of the boxed chocolate market and a 6.7% value share of the overall chocolate confectionery market¹¹.
In FY 2014/2015, the Ferrero UK Ltd turnover was 249 million Pounds (332 million Euros) and the Ferrero Ireland Ltd turnover was 55 million Euros. Around 52% of all UK households buy a Ferrero product every year, rising to 61% of households with children\textsuperscript{12}.

In Ireland, the market share is 4.6%, with 52% of households buying a Ferrero product every year, rising to 61% of households with children\textsuperscript{13}.

### FERRERO IN THE UK

**Building scale**

Ferrero UK was established in 1966 in the UK with an office in central London. NUTELLA\textsuperscript{®} was advertised on television for the first time in 1967, with Tic Tac\textsuperscript{®} following in 1970.

Increasing staff numbers led to several relocations of the market’s head office and in 2008, the business moved to office space in Watford, around 30 km from the capital. Over the following years, the business grew rapidly and a larger office was required to support the scale of operation.

As of 31st August 2015, Ferrero had 156 employees in the UK, and supported a further estimation of over 800 jobs in the wider economy\textsuperscript{14}. For the two years 2013-2015, Ferrero contributed 94% of all value growth in the UK confectionery market\textsuperscript{15}.

As a result of this growth and its strong commitment to the UK market, 2015 saw Ferrero acquire a new, larger site with leading environmental credentials.

The new headquarters are situated in Greenford, in the London Borough of Ealing in the west of London and just a 20 minute drive from Heathrow Airport. Ferrero is committed to working with the local council and community groups to support community activities. For example, Ferrero supports Ealing Council in its work to encourage inward investment into the borough and the Kinder+Sport programme is active in local schools.

\textsuperscript{12} Kantar Worldpanel online, 52 week data to 16.08.15.
\textsuperscript{13} Kantar: MAT we 27.03.16.
\textsuperscript{14} Estimation based on an internal study conducted with regards to the FY 2013/2014.
\textsuperscript{15} AC Nielsen Scantrack, September 2012 to August 2014.
FERRERO’S CORPORATE SOCIAL RESPONSIBILITY - FOCUS

Greenford: a new home for Ferrero in the UK

With more than 5,000 square metres of floor space over an atrium and three office floors, Ferrero UK’s Greenford office provides the right environment for the team and business to thrive in the UK.

The building incorporates an advanced glass layer which is highly energy efficient, keeping heat out in the summer and cold out in winter. The chillers installed in the building are among the most energy-efficient available, with a refrigerant that has no ozone-depleting potential and a design that emits very little noise.

All waste from the building is either recycled or used for energy: none goes to landfill. For Ferrero staff, the office offers a serviced restaurant with hot and cold food, including a variety of attractive options which change on a daily basis.

Although the building has a multi-storey car park with 150 spaces, staff are encouraged to cycle to work and adopt active lifestyles – shower facilities are provided.

Situated in a green landscape of more than 3 hectares, Greenford will give Ferrero the right environment to grow during this next key phase of development and will provide the right resources for the business.

Thorntons: a new chapter for Ferrero

Further demonstrating the growth and strength of the UK business, in August 2015 the Ferrero Group made its first-ever acquisition with the purchase of UK confectioner Thorntons.

Ferrero saw in Thorntons a highly complementary business, along with shared core values and a commitment to providing high quality, premium confectionery products to customers. This cultural fit between the two companies provides a strong foundation for the next chapter in the history of the Thorntons brand.
Thorntons: a family business with a focus on quality

The acquisition of Thorntons, a well-established UK confectioner, has brought together two companies founded on family values and with a shared commitment to quality.

Thorntons began with a small shop in Sheffield, opened by travelling confectioner Joseph William Thornton in October 1911 and run by his two sons Norman and Stanley. The company’s famous and hand-iced chocolate Easter eggs have been made since 1922, a tradition which the company has continued to this day, whilst the much-loved Special Toffee has been on sale since 1925 and is still made with the same recipe.

In 1985 the chocolate factory at Thornton Park in Alfreton was opened by HM Queen Elizabeth II. The company head office and production facilities are still based at the site and are an important part of the local community.

In line with the company’s origins, Thorntons still sells products through a network of franchise and owned stores, cafes and an online shopping website. From the original Sheffield shop, Thorntons now has more than 200 retail stores and a strong digital sales business.

Delivering freshness

Ferrero UK also has a longstanding relationship with Daventry, Northamptonshire, where it established a distribution base in 2012.

Working in conjunction with the international logistics provider DHL, Ferrero has invested in a state-of-the-art packaging facility.

Effective waste management practices at the DHL warehouse reduce the impact of waste: in the FY 2014/2015, 445 tonnes of material were recycled and a further 294 tonnes of material were recovered, avoiding an estimated 750 tonnes of CO₂ in the process.

Furthermore, six dual-fuel vehicles are now in use, using LNG as well as diesel, with an estimated annual saving of 990 tonnes of CO₂.

The DHL warehouse employs around 300 people, making it one of the largest employers in the local area. Its location in the English Midlands allows Ferrero UK to ensure fresh products are efficiently distributed to retailers.
Employees in the UK

Following the acquisition of Thorntons, Ferrero staff in the UK number 3,467 employees at 31st August 2015, based principally in two locations: the head office in Greenford and the Alfreton-based manufacturing plant and offices.

The 156 employees of Ferrero UK Ltd as of 31st August 2015 have an average age of 36 and have been with the company on average 5 years. 50% are women, 50% men.

Training is provided in both general business and office-related matters - health and safety, food hygiene and IT - and on dedicated professional skills appropriate to each job role. There is a comprehensive approach to performance evaluation and appraisal and a forward thinking attitude to talent management, intended to maximise each employee’s opportunity to contribute to the business and to reach their own career goals.

Employee health and wellbeing in the UK

Ferrero aims to support and encourage all staff and their families to lead more active and balanced lifestyles.

In the UK, a range of initiatives have been designed to inspire lifestyle change around the core elements of activity, health and family.

Employees are offered a health assessment and a session with a physiotherapist, along with information about health, nutritional tips and advice, and visits by nutritionists to motivate staff. There is a medical insurance scheme which rewards participation in healthy activities such as going to the gym or walking a certain number of steps per day.

In addition, Ferrero UK has enlisted Sally Gunnell, the former Olympic hurdling champion, as an ambassador. Using her expert knowledge, Sally has helped inform the design of the programme and has facilitated five-a-side football family days to help engage employees and their families in a fun way.

As a result, more than half (53%) of UK employees have said they find it relatively easy to adopt a healthier lifestyle and 43% are eating more healthily. Half (51%) feel more inspired to live a healthier lifestyle, and 35% have become more active after engaging with the programme.  

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16 Internal staff survey, July 2014.
Ferrero has been present in Ireland since 1975, and the country plays an important role for the Ferrero Group.

The Ferrero Ireland facility is based in the city of Cork, in the south of the Republic of Ireland. Ferrero’s 13,000 square metre site sits on 37,000 square metres of land and was chosen for its strategic position with air, sea and road transport links; the wide availability of skilled personnel in Ireland; and its proximity to the UK market.

The factory was acquired by Ferrero in 1975 and has been extended twice: in 1980 to expand moulding activity, and 1995 in the manufacturing area. It is a leading-edge Tic Tac® production facility, that demonstrates the Ferrero commitment to quality, best practice and continual improvement, exporting Tic Tac®s to other markets worldwide.

Ferrero Ireland Ltd employs 237 people in Cork as of 31st of August 2015, 37 of whom are occupied in office-based roles.
The Cork site produces 35% of the world’s supply of Tic Tac®. This represents 62 million Tic Tac® pills produced each and every day; a total of 20 billion in a year.

In addition, the site also manufactures the plastic boxes and plastic caps in which Tic Tac® is sold – a total of 400 million boxes and caps each year.

It takes around 24 hours to make a Tic Tac®, with timings varying slightly for individual flavours. The Cork site is the point of reference for introducing new flavours to the Tic Tac® range and the plant currently produces several varieties, from classic Mint to Strawberry Fields and Cherry Passion.

With continuous investments in new technology, the factory is a highly advanced facility with state of the art manufacturing equipment and a highly skilled workforce. The site is the Tic Tac® “academy” for the Ferrero Group, and used as a training facility for colleagues in other plants around the world. Operators and technicians have also travelled to other Ferrero sites to support with new techniques and innovations.

Once packaged, over 97% of production from the Cork site is exported around the world. Tic Tac® is provided to more than 40 markets worldwide, including the UK, Germany, France, Poland and even Italy.
The Cork site has the ambition to **reduce its environmental impact through local projects of improvement** and following the Group’s guidelines and objectives. Over the last five years Ferrero has invested an average of €5 million in Cork per year. Approximately 20% of these investments relate to projects that have a positive impact on the environment. The most important ones include:

In March 2015 a high-efficiency co-generation engine was installed, which produces 1,560 KW of electric energy, 679 KW of steam and 1,002 KW of hot water. This allows for more efficient energy production and the Cork plant self-generates 75% of its electricity needs. Moreover, there are ongoing projects to utilise excess thermal energy, when overproduced, replacing the use of steam with hot water in the manufacturing process.

In the last three years, five new, more efficient air conditioning units were installed, equipped with VSDs (Variable Speed Drives) and operating in free-cooling. This investment led to savings of approximately 30% of energy consumption.

Another significant project is the progressive replacement of fluorescent lights with LEDs. These lights consume 50% less electricity, with improved lighting power, which results in a better workplace for our employees. LEDs have a longer lifetime and, unlike fluorescent tubes, their waste has a significantly lower impact on the environment. Since the start of the project, 1,400 lights were replaced, and we expect to change 100% of the fixtures by the end of next year.

Beginning in 2016, the Cork plant has been renewing its hydraulic injection moulding machines with electric alternatives, which are more efficient and require less energy and maintenance. This new equipment is oil-free, significantly reducing the environmental impact in terms of waste.

During the years the plant has progressively substituted the chillers and it is now improving their efficiency to deliver cold water, substituting the pumps and installing variable speed drives to economize energy usage. The plant has also been installing new de-humidifying units on coating air treatments, to reduce cycle times, improve efficiency and therefore decrease energy requirements.

To continuously improve energy management, Cork is implementing the ISO 50001 standards and has already gone through pre-audit, with the aim of being certified in 2016. This system will be integrated with the ISO 14001 system, implemented and certified from 2005.

As with all plants, good energy practices are applied and shared at a Group level. From Cork, these included “Green Weekends” and regular participation in the professional network of Energy Manager meetings.

Water is an important part of the production process to produce Tic Tac® and several actions have been introduced to reduce consumption, especially in terms of washing cycles. The plant now uses dry cleanings before washing, with additional steps to recover sugar syrup, and excess hot
water is used to increase temperature and therefore to cut down washing cycles. These measures have also improved the quality of the waste water coming out of the plant.

The site has a well-established recycling programme. Plastic, cardboard and wooden pallets are segregated and recycled. Waste water is concentrated and the resulting by-product is used for animal feed. To implement segregation and improve waste management, employees are trained on awareness and diligence.

Several actions have been carried out with an eco-design perspective\(^1\). Excess material used in moulding the plastic caps for Tic Tac\(^\text{®}\), for example, is partly re-used within the same moulding process, including to fabricate polypropylene displays. This avoids additional waste and saves 8 tonnes of virgin material every year. A recent investment will allow the plant to replace some moulding equipment with more efficient ones, which will further reduce plastic scraps. This will reduce the amount of waste produced, in line with the recommendations of European waste management guidelines. In addition, the backing material of labels has been changed from silicone paper to a PET film. This action has improved the recycling process and has reduced the amount of material used by more than 60 tonnes. Even the thickness of stretch-film was halved from 22 μm to 11 μm in FY 2014/2015, which led to a total saving of around 5 tonnes per year.

\(^{17}\) The values shown are an estimate calculated on annual budgeted volumes.
Employees in Ireland

As of 31st of August 2015, the Ferrero Ireland Ltd’s 237 staff benefit from a full, subsidised canteen on site with healthy options and free fruit, a workplace health and wellbeing programme, subsidised transport options and a “bike to work” scheme. They are also entitled to free annual medical checks, discounted private health insurance, a company doctor and private pension benefits, as well as a comprehensive retirement policy.

Training is provided in particular on health and safety, hygiene and IT skills.

Performance evaluations are completed annually with all the office and management workforce of the Group and staff have an opportunity to feed back to management during weekly governance meetings with Section Leaders.

At Christmas both employees and their children are hosted at parties, and all employees receive a festive product hamper.

The average employee at Ferrero Ireland has been part of the Ferrero Group for 11 years, and three employees have worked at the Cork site since its initial opening in 1975. The average age of employees is 41 years old, and employees are split between 34% women and 66% men as of 31st of August 2015.

Working in partnership

In the UK and Ireland, Ferrero is focused on achieving progress for the company and the wider sector through partnerships with a variety of external organisations.

In the UK, Ferrero is an active member of the main trade associations representing the industry:
- Food and Drink Federation (FDF);
- ISBA - the voice of British advertisers.

Ferrero is a supporter of the MediaSmart programme, which provides educational resources for the teaching of media literacy in schools.

Ferrero in Ireland takes part in:
- Food and Drink Industry Ireland (FDII);
- Association of Advertisers in Ireland (AAI).

Ferrero aims to be a responsible voice in the community and a reliable partner for everyone with whom it works.
Across the UK and Ireland, sedentary lifestyles - particularly among children - are proving to be an increasing challenge. For example, only 18% of English children meet the recommended activity levels\(^\text{18}\). Coupled with rising obesity rates in both countries, it is essential that governments, industry and schools work together to educate children and families towards positive change.

That is why we are dedicated to becoming a leader in **encouraging children to enjoy being active** through our Kinder+Sport programme, which operates across UK and Ireland.

Kinder+Sport was established to both educate and inspire children about the importance of an active lifestyle and a balanced diet. Our UK programme was developed by experts and in close partnership with the Football League Trust (FLT), which represents all English football clubs in the Championship and in Leagues 1 and 2.

Together, supported by our shared values and ambition to get children active, we have shaped a programme that aims to have a lasting, positive impact on the activity levels of children in the UK.

At the end of the 2014/2015 school year, the Kinder+Sport programme has moved and engaged over 43,000 young people across the UK and Ireland.

\(^{18}\) Health Survey for England 2014.
The flagship initiative for Kinder+Sport in the UK is the +Sport Move and Learn Project. This is a national, schools-based, educational programme which delivers education and awareness about nutrition and diet in the classroom, combined with physical activity and sport outside the classroom.

The project is aimed at children aged 9-10, and is delivered in partnership with the Football League Trust, and with football clubs and community trusts across the UK and Ireland.

Over six consecutive weeks the children spend 45 minutes in the classroom covering topics related to the body - including nutrition, hydration and the importance of exercise - and 45 minutes taking part in practical sessions made up of three sports - football, handball and dodgeball. Each child has over 9 hours of teaching and coaching over the 6 week period.

In the 2014/2015 school year, we worked with a network of 11 football clubs to move 21,000 children in 350 schools through the +Sport project alone. With each child involved in the programme receiving 9 hours of support each, this amounts to a total of 190,000 hours of activity over the year.

Professional footballers from each local team act as Ambassadors to help support and inspire children on the programme and, as part of the delivery, all participating schools are given a special opportunity to participate in penalty shoot-outs during half time on local match days. The community trusts also run community days and festivals which are open to all participating children and their families.

To boost its relevance and effectiveness, the programme content was developed in line with the UK Govern-
ment’s Eatwell plate, together with nutritional, educational and sporting experts. The learning outcomes are in line with the UK National Curriculum.

Feedback from the programme has been overwhelmingly positive, with 100% of teachers saying they are confident that the children have a better understanding of the importance of nutrition after taking part in the Project. 99% of teachers also felt that children have a better understanding of the importance of physical activity following the sessions.

**Feedback from teachers on the +Sport Move and Learn Project**

“Excellent to promote all parts of nutrition alongside physical activity.”

“Fantastic opportunity for the children to engage in a sports activity and learn more about their health and the body.”

“The coach was brilliant. His knowledge of health and fitness was clearly evident. The practical activities were inspiring, engaging and included everyone.”

“It was great to be able to see the +Sport Move and Learn programme first hand and Burton Albion Community Trust doing what it does best - engaging with young people in schools. Thanks to the support of Ferrero, this programme builds the right kind of mentality and will help ensure these kids grow up being healthy and knowing what’s good for them.

Andrew Griffiths MP (Burton, Conservative)
In the school year 2015/2016, our network has grown to involve 18 football clubs in the UK and Ireland – including those near our local communities of Greenford, Alfreton and Cork. Through these partnerships, the project will move an estimated 31,600 children and facilitate 284,400 hours of activity.

The Kinder+Sport Kids Cup and Girls Cup

Since 2014, Ferrero UK has partnered with the Football League Trust to be the official sponsor of the national tournaments for junior footballers, a programme which reaches an estimated 22,000 children.

The Kinder+Sport Kids Cup (for children under 11 years old) and the Kinder+Sport Girls Cup (for girls under 13 years old) are held in partnership with 72 professional football clubs from across the UK, and culminate in exciting finals played at the 90,000-capacity Wembley Stadium before the Johnstone’s Paint Trophy and Football League Play-Off Finals.
Kinder+Sport Holiday Camps

Kinder+Sport in the UK also sponsored the Watford FC Community Sports & Education Trust Holiday Camps, which are open to children in the local area around the Ferrero UK Head Office. Over 3,000 children took part in week-long camps over the Easter and May holidays, learning new skills and participating in specialist training courses. More than 16 first team players from Watford FC visited the camps to encourage and inspire the children to be more active.

Separately, Kinder+Sport in the UK also partnered with The Steven Gerrard Foundation, established by the former England and Liverpool FC Captain, to support a week-long summer camp which moved 100 children and included visits from two current Liverpool FC first team players.
Futsal

In the 2015/2016 school year, Kinder+Sport in the UK launched the first national schools futsal competition for under 16s, involving 4,500 children and extending the reach of the UK programme to encourage older children (aged 14-16) to appreciate the benefits of an active lifestyle. All 72 clubs in the UK Football League took part in a national Futsal Cup competition with participating schools competing in regional and area heats, leading up to a grand Kinder+Sport Futsal Finals Festival.

Engaging employees in Kinder+Sport

In line with the wider business, Ferrero in the UK and Ireland recognises the importance of engaging employees with Kinder+Sport initiatives, and extending the benefits to them and their families.

Employees are regularly updated about the +Sport Move and Learn programme and the Kinder+Sport Kids Cup and Girls Cup, and are offered the chance to volunteer at match day penalty shoot-outs and tournament activities. All of our staff have the opportunity to gain a first-hand understanding of the positive impact which they - through Ferrero - make to local communities.