

Focus on Ferrero in Canada



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Ferrero Canada Ltd. was established in 1974 in Toronto, where the commercial division headquarters remain today. Over the years, Ferrero Canada has launched numerous, beloved brands which have become household staples: Nutella®, Ferrero Rocher®, Ferrero Collection®, Raffaello®, Tic Tac®, Kinder® Cioccolato, Kinder® Sorpresa e Kinder® Bueno. In Canada, Ferrero has grown progressively to become the 5th largest confectioner in Canada¹, with a turnover in FY 2012/2013 of **492 Mln of Canadian dollars (372 million euros)**, with a focused portfolio of leading Ferrero brands, all of which have established themselves as leaders in the respective categories. Ferrero Canada operates in a complex, multi-channel trade environment in an ethnically diverse and sophisticated country.

As of 31 August 2013, Ferrero Canada had a total of 1,320 employees and external collaborators² (691 located at the commercial division of Toronto and 629 located at the Brantford plant).

The Company is without a doubt one of the most multi-cultural Ferrero companies in the world, as evidenced by the number of nationalities (44) and number of languages spoken (more than 30) by employees in both divisions.

Operating principles

In line with the Group, Ferrero Canada works with an inspiring set of operating principles. Their employees embrace them, creating a strong positive culture:

1. **Product.** Ferrero is uncompromising in its respect for the consumer. It takes artisanal care with its products. Its behavior epitomizes a total dedication to freshness and quality to ensure a consistently premium consumer experience. Its marketing reflects high ethical standards inspired by promotion of balanced healthy lifestyles.
2. **People.** Trust, transparency, respect and loyalty are hallmarks of relations between the Company, employees, customers and consumers. All collaborators provide support to each other. All celebrate individual and team accomplishments. All care about their communities and work environment. All believe that by working together they will achieve success.
3. **Professionalism.** Ferrero Canada sets high standards for employees and takes ownership and pride in everything they do. Employees are

¹ Source: AC Nielsen Market Track, including Sugar Confectionery (considering 52 weeks ending 11 January 2014), Chocolate (considering 52 weeks ending 5 April 2014), Spreads market (considering 52 weeks ending 5 April 2014), all channels.

² The data includes temporary workers, internships and other direct collaborations, excluding service contracts.

- committed to leadership and delighting the consumer. Challenging objectives inspire all employees; they strive for professional mastery.
4. **Progress.** Innovation and creativity are at the heart of Ferrero Canada's success. The Company challenges itself to create new markets, invent new solutions and unlock growth. It seeks big ideas focusing on breakthrough and continual improvement.
 5. **Passion.** Ferrero Canada is focused and committed to brand success, consumer satisfaction and working as a team. Enthusiasm and energy drive success.

Ferrero Toronto: the commercial division

Diverse, dynamic and international best describes the environment in which Ferrero Canada Ltd. will celebrate its 40th anniversary in 2014. Ferrero Canada's Commercial operation has undergone an evolution over the last two decades, from "distributor" to "marketer": from a focus on building distribution to creating an integrated sales and marketing organization with the appropriate support functions.

In the early '70s, Canada had been importing Tic Tac® and Nutella® from Alba for resale by distributors into conventional channels of trade. Under the management of Ferrero Canada Ltd., the Company pursued a strategy of progressive development for these brands and then expanded Ferrero Rocher® in the early '80s with great success. This brand's unique breakthrough positioning as a premium mass market praline firmly established the image of Ferrero as a quality, upscale and innovative confectioner. In the early '90s, the Canadian Company re-launched Kinder® Surprise, increased marketing investment across existing brands and evolved the sales structure progressively to a mixed model of broker sales representatives and Ferrero sales people.



Ferrero Brantford: the industrial division

Ferrero Canada's Industrial Division is fully committed to producing the high-quality, added-value confections demanded by the Group. Towards this end, it:

- invests in the development of all employees in recognition that individuals are Ferrero's most valued asset;
- seeks continuous quality improvements;
- complies with the requirements of Good Manufacturing Practices and the HACCP rules;
- establishes the highest quality standards to meet the Group's exceptionally strict quality guidelines, from raw ingredients through finished production;
- invests in the development of technology and machinery for continuous improvement, higher flexibility to meet changing market demands, and ongoing advancement in the confectionery sector;
- ensures a secure work environment and safe workplace for all its employees.

The Industrial Division is also committed to positively impacting the communities it lives in and serves by promoting jobs for local tradesmen and businesses. Doing so creates a sustainable local business environment.

The plant

Approximately 70 miles or 112 kilometers due west of the famous Niagara Falls is the location for one of the Ferrero Group's most recent and modern factories—Brantford, Ontario.

The multi-level, 89,000 square meters facility (not including a stand-alone warehouse) sits on 66 hectares of land. It is conveniently located to major highways for easy transportation access. Construction of this state-of-the-art plant began in October 2004 with start-up in Spring 2006.

Brantford was chosen for numerous reasons:

- excellent location close to major Canadian and U.S. markets;
- favorable logistics infrastructure;
- availability of serviced industrial land;
- availability of a strong talent pool and of managerial and skilled staff;
- positive, cooperative, pro-business provincial and city staff that greatly facilitated the development and approval processes.

The placement of the Ferrero plant in Brantford had a significant positive impact on employment in the area.

Since operations began in 2006, the plant has enjoyed steady, annual growth in volumes produced. Nutella® is the largest product in terms of volume, followed by Ferrero Rocher® and Tic Tac®.



John Frabotta, Director Economic Development & Tourism, City of Brantford, *“The opening of Ferrero Canada Ltd.’s state-of-the-art food manufacturing facility in Brantford in 2006 has provided an ongoing positive economic impact for the community. In that brief time, the company has completed multiple expansions to their manufacturing operations and added warehousing and distribution. Their presence in the city has been a catalyst in attracting several other advanced manufacturing foreign direct investments... Combined together, Ferrero and its suppliers have helped define Brantford as a significant food processing cluster by the Province of Ontario.”*

Besides supplying Canada, Brantford exports mainly to the U.S.A. and Mexico and a small quantity to Australia and other markets.

The packaging material used in Canada include: plastic, cardboard, film and aluminum (in order of weight). The plastic materials are used mainly for Nutella® production—jars and caps. The new cap design of Nutella® has been also adopted in Brantford with a material savings of 74 metric tons³.

³ The project for the optimization and unification of the lids on T400 and T750 Nutella® jars (containing from 300g to 800g of product), distributed globally, has led to a reduction in the use of polypropylene amounting to over 500 t/year. This value is an estimate calculated on annual budget volumes.



Environmental management

From inception, the Ferrero Group intended to build a state-of-the-art plant in Brantford from both an environmental and production perspective in order to minimize its impact and maximize the efficiency under environmental frames, while creating value for Ferrero customers and partners.

In 2013, the plant was renovated to accommodate an innovative, high energy-efficient, co-generation capability. Called Quattro Gen, the plant can produce electricity onsite to power its own energy, supplying the plant with electricity, steam, hot and chilled water. This technology was chosen due to the plant's specific loads for electricity, steam, hot and chilled water. Quattro Gen allows for a high efficiency facility to displace current and future plant loads and improve productivity, plant reliability and energy efficiency. It also produces the heat needs for the plant and warehouse.

Since its inception in 2006, the plant has made numerous investments to improve its energy efficiency:

1. implementation of energy measurement systems necessary for future improvements;
2. installation of an automatic system for the control of the HVAC's free cooling;
3. installation of an automatic system to control the inverters (VFDs) installed on all glycol and water distribution pumps and to all the fans of the HVAC's;
4. installation of an automatic system to ensure the shutdown of lights on weekends;



5. replacement of all the metal halide lamps with high efficiency fluorescent T5 bulbs (resulting in the elimination of mercury disposal);
6. reduction in operating pressure of air compressors and the installation of automatic management thresholds for the various compressors;
7. replacement of the hydraulic injection mould machine with new electric high efficiency injection mould machine.

Dave Levac, MPP Brant *“Ferrero Canada has been a huge impact in Brantford. From concern about their environmental footprint, quality control, food safety, increased employment, economic development and employees giving, Ferrero Canada is a shining light here in Ontario. I look forward to continued responsible success in the future.”*

Since January 2014, Brantford continues to promote energy savings through the “Energy Team”, whose focus is presently on:

1. analysis of electricity base loads, with particular attention to weekend shut-downs and the continuous monitoring of consumption;
2. waste reduction of compressed air through weekly monitoring of assembly line shutdowns;
3. reduction of weekend energy consumption through the automatic management of HVAC;
4. creation of energy conservation awareness to be communicated to all plant employees.

Separately, a “Green Roof” project is being investigated, which would cover the entire roof of the warehouse with high-efficiency photovoltaic panels.

Plant certifications

Certification	Status	Comment
ISO 9001:2008	Certified	Since 2011; part of Ferrero Group Certificate since 2012
HACCP by OMAFRA	Certified	Since 2008
ISO FSSC 22000	In process of certification	To be completed mid 2014; replaces HACCP
RSPO	Certified	Since December 2013
ISO 14001	In process of certification	To be completed end 2014

The Alliance Distribution Center

In support of the Ferrero Group's goal to bring high-quality fresh products to consumers in an environmentally-efficient manner and to reduce its carbon footprint through more efficient supply chain operations, Ferrero constructed a state-of-the-art warehouse/transportation/distribution center adjacent to the plant in Brantford, which became fully operational in the Spring of 2013.

In the last year, numerous upgrades have been made to this facility, contributing towards the achievement of Ferrero's sustainability goals:

1. Implementation of "Motion Sensors" for warehouse lighting and exchange of conventional material handling battery chargers to "Fast Charge":
 - The impact of this change is a reduction in energy consumption, as charging times have been reduced by approximately five hours, and the usage/consumption is 50% less than conventional batteries. The same process will be rolled out to eight other batteries in 2014.
2. With the completion of the Distribution Center in 2013, installation of a "Link Monorail" connecting the production plant to the distribution center.
 - This resulted in the movement of 59,000 pallets in the first five months of activity via monorail that would have been previously shunted via truck.

Logistics

Transport and Logistics for Ferrero Canada poses a real challenge because of its size. Geographically Canada is the second largest country in the world, following Russia, and it encompasses over 3.58 million square miles. Given this, the core focus on Logistics sustainability efforts has been to increase the number of rail shipments in FY 2012/2013 increased by 3% versus FY 2011/2012 thereby realizing a marginal reduction of CO₂ emissions compared to road transport. The increase of rail shipment is now reaching 10% (period april '13-march '14 compared to previous year).

Sourcing

Ferrero Canada believes in creating a sustainable local business community and towards that goal, tries to source as much as possible from local suppliers.

Today 90% of the packaging used in our plant (in terms of value) is sourced from North America and 71% is sourced from Canada (of them 93% from Ontario).

In FY 2012/2013, the number of local technical suppliers (based in North America) increased by 2% and now 74% of them are based in Ontario.

Hazelnut Business Development Project

Until recently, the Company has been sourcing its hazelnuts mainly from Italy and Turkey. To ensure sufficient and fresh supplies for future demand, Ferrero has identified other regions around the world where climactic conditions are favorable for growing hazelnuts.

On September 23, 2013, the Ferrero Group and the **Ontario Hazelnut Association** jointly signed a Memorandum of Understanding to facilitate development of large-scale hazelnut farming in Ontario.

It is a multi-stakeholder endeavor designed to create a sustainable hazelnut farming business in the region, which will upon maturation of the plants, provide Ferrero Brantford with local sourcing of this important raw material for products such as Nutella®, as well as other manufacturers using hazelnuts.



Partners include: Ferrero Canada and the Group's Hazelnut Business Development division; Industry-farmers/growers, nurseries, aggregators; Academia-University of Guelph agricultural practitioners and researchers; Government: the Ontario Ministry of Agriculture and Rural Development amongst others.

Ferrero's involvement in this project consists of:

- transferring knowledge on innovative hazelnut farming practices;
- investing in selective farming and/or nursery production;
- providing training, research and extension services.

By 2023, the goal is to have planted 5,570,000 trees covering 22,280 acres, which should yield close to 11,000 metric tons of hazelnuts/year.

Ferrero Canada's social initiatives

Ferrero Canada is proud of the involvement that its employees have within their local communities and cares about the environment in which their employees and their families live and work.

Towards this end, the Company has created a sustainable community involvement programme, which has also become part of the company culture. The objective of this programme is to give employees the opportunity to give back to the community in a way that is aligned with Ferrero's values.

Numerous social responsibility programmes by Ferrero and/or its employees have been deployed in recent years, and they deserve mention:

Local food bank donation drive initiatives

In October 2012, the team in Toronto launched a two-week food drive in support of the local community food bank.

The approach was innovative, i.e., a competition was created with internal teams who battled to achieve the highest donation level. This strategy proved so successful - and appreciated - it was deployed in subsequent drives.

In May of 2013, the employees participated in an internal donations competition during Hunger Awareness Week.

The result of this friendly competition netted the local food bank, the North York Harvest, a windfall: over 350,000 pounds of food and \$3,400 in employee monetary donations. This donation was the largest single donation North York Harvest Food Bank has ever received.

The activity also included an Employee Volunteer Programme component, whereby a majority of employees volunteered to spend two hours working at the food bank, sorting and packing 6,000 pounds of food.

Tanya Thomas,
Development Associate
Funds and Food
North York
Harvest Food Bank

"...Because of your amazing contribution and excellent coordination, our clients will not have to skip meals to pay their monthly rent. From single parents to newcomers, from the recently unemployed to those living with disabilities, all community members will receive sustained food assistance, thanks to you".



Children's Miracle Network

Children's Miracle Network Hospitals® raises funds for 170 children's hospitals across North America, which, in turn, use the money where it's needed the most. The employees have supported CMN with annual donations through the "A Joy to Share" fundraising and promotional campaign. This support was amplified through communications on Kinder branded merchandising vehicles in retail stores. For the 2013 sponsorship, the Kinder team from Toronto volunteered their time to participate in the "Spook-tacular Annual SickKids Halloween Parade" where they handed out Kinder® Surprise toys to patients and their siblings who spent Halloween at the SickKids Hospital.

Reach For The Rainbow

For 12 years running, the Toronto office employees have sponsored "Reach for the Rainbow", an umbrella non-profit organization working for people with disabilities. Its programmes encourage environments for children and adults to live, play, work and inspire themselves alongside children and youth with disabilities, creating transformative experiences of belonging.

"Fill-A-Bag" Project

In December 2013, employees at the Brantford facility provided support to the Children's Aid Society of Brant's Child Development Unit (CDU) through the "Fill-A-Bag" project, which assists over 200 needy families with donated items. The plant employees also organized a fundraiser. Ferrero Brantford employees will continue to assist the CDU because it supports the goal "to build healthy communities where families can have a sense of belonging and pride."

Human resources

Ferrero Canada strongly believes in the importance of work-life balance, which hinges on two key concepts: achievement and enjoyment. The Company provides and supports an environment which allows its employees to take pride in their achievements with the satisfaction of knowing that they are rewarded both physically with competitive pay and benefits, but also emotionally with celebration of major achievements.

Demographics of Ferrero Canada Employees

At 31st August 2013 the ratio of women to men is 45% women and 55% men (inclusive of both the Commercial division and plant direct employees). The ages of Ferrero employees in Brantford and Toronto range from 18 to 66.

Compensation

Ferrero Canada is committed to providing a competitive total compensation package in the form of base pay, bonus incentive (salary employees), pension plan and a full comprehensive benefits package. Both divisions of the Company support their employees and their families by offering a variety of benefits such as health and dental, short and long-term disability, life insurance, accidental death and dismemberment. The cost of these benefits is 100% covered by the Company and at no cost to the employee.

Equal Rights and People with Disabilities

Ferrero Canada complies with all regulations pertaining to equal opportunities and people with different abilities, to provide for equal rights and opportunities without discrimination in the recruitment, employment, promotion and termination of employment of its employees. Ferrero Canada is committed to ensuring a discrimination-free workplace in compliance with The Human Rights Code and the Accessibility for Ontarians with Disabilities Act (the "AODA").

Health & Wellness

Ferrero Canada in Brantford offers numerous health & wellness services over and beyond traditional medical insurance. Between them, to mention some:

- vaccines offered annually to all employees;
- annual event that promotes health & wellness to all employees;
- early and safe return to work programme that encourages employees to return to work during the recovery from an injury or illness; assists with recovery, routine, wellbeing;
- annual health & safety overviews with all plant employees focusing on health & safety initiatives, e.g., emergency evacuation, near miss reporting, chemical management, etc.

In both locations, a **Joint Health & Safety Committee** includes representatives from the employee population and Management, which conducts monthly inspections focusing on hazards and preventative measures to prevent hazards and promotes a culture of health and safety.

Additional Company-Paid Benefits

Employee Assistance Programme (Brantford & Toronto)

Lifeworks through Ceridian is a 24 hours, seven days a week, 365 days a year service available to all Ferrero full-time employees that allows them accessibility to speak with an expert consultant or go online to access a full array of information and services through multiple media vehicles. Service is no charge and confidential. The programme helps employees deal with stress, relationship issues, parenting and childcare, needs of an older relative, health issues like losing weight or to stop smoking. If no issue is too big or too small for Lifeworks.

Ferrero Action Committee (Brantford)

A committee formed by employees who serve as a conduit to Management to table employee concerns and also to bring forward employee-generated ideas. The purpose is to improve communication between employees and Management to ensure safe and happy working conditions.

Take Our Kids to Work Day (Toronto & Brantford)

Take Our Kids to Work Day™ is "The Learning Partnership's" signature programme involving more than 250,000 Grade 9, Senior 1 (Manitoba) and Secondary III (Quebec) students and at least 75,000 businesses and organizations across Canada annually. Since 1994, on the first Wednesday of November every year, students spend the day in the workplace of a parent, relative or friend, which enable them to understand the importance of staying in school by learning first-hand what skills are required in today's workplace and develop an appreciation for their parents' careers and roles in supporting their families.

Ferrero Kids Scholarship Programme

The Ferrero Canada Scholarship Programme was established in 2009 for the children of Ferrero Canada employees in Brantford, both full time and contract, to encourage the child's educational growth through to college or university. Criteria and requirements to be considered for the scholarship include:

- the child must have completed, or be in the process of completing their high school education, or be enrolled in college or university;
- participants are required to submit an official transcript and a short essay describing what they hope to achieve by completing their education and how their education will help to achieve one of Ferrero's company principles, respect for the environment, or support and involvement in the local community.

A scholarship awards committee evaluates the submissions and selects the recipients.

Finally, for each 5th year anniversary of service at Brantford and Toronto, employees receive a commemorative certificate and a gift.