

**SHARING VALUES
TO CREATE VALUE**



Corporate Social Responsibility

REPORT 2015

FERRERO

This cover was printed on paper made using process
residues from hazelnuts to replace up to 15% of virgin tree pulp.

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About this report

The aim of this report is to illustrate the Ferrero Group's corporate responsibility strategy and its global activities during Fiscal Year (FY) 2014/2015 (from September 1, 2014 to August 31st, 2015). Along with the objectives set in previous reports, the issues in this seventh 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.

In this report, the Ferrero "Great Brands" focus is dedicated to Tic Tac[®], whilst those related to the Group's presence in the world are dedicated to Australia, United Kingdom and Ireland. Previous reports focus on other Ferrero products and other countries in which the Group operates, as well as the Group's presence at Expo Milan 2015. These reports are available online at www.ferrerocrs.com.

This report was drafted by the Ferrero Group's Institutional Affairs, Public Relations and Corporate Communications office (email: csr@ferrero.com), in compliance with the "G4 Sustainability Reporting Guidelines" (2013) and the "Food Processing Sector Disclosures" (2014), both published by the Global Reporting Initiative (GRI), according to the option "In accordance" – Core.

This report was submitted for the GRI Content Index Service, and GRI confirmed the accuracy of the GRI G4 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 construction of the new production plant in China, inaugurated in September 2015, was completed;
- in February 2015 the purchase of all of the equity interest in the Oltan Group, a world leader in the supply, processing and sale of hazelnuts, was completed;
- in August 2015 the acquisition of Thorntons Plc, a leading English player in the confectionery manufacturing industry, was completed.

- the Stelliferi & Itavex Srl joint venture, which processes and sells toasted hazelnuts at different stages of processing;

- the companies belonging to Oltan Group and Thorntons Plc. However, Ferrero Industrial Services G.E.I.E. and the Piera, Pietro and Giovanni Ferrero Foundation are included¹.

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

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

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

This social responsibility report is also available online at www.ferrero-csr.com, where the previous CSR reports, published in June 2010, June 2011, July 2012, July 2013, October 2014 and October 2015 are also available. Reports will continue to be published on an annual basis.

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.

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Letter from the CEO

The solid values, passion and commitment that have always guided the work of all Ferrero Group employees, in addition to the constant and renewed confidence of our customers, have allowed us to close successfully FY 2014/2015, with a consolidated turnover of 9,542 million Euros, indicating an increase of +13.4% compared to the previous year.

This growth was the result of extraordinary dynamism in Ferrero's new markets, whose results are even more significant considering the international context and the persistent difficulties. Therefore the Group has met, and in some cases improved, its excellent sales results of previous years in Asia, the Middle East, the United States, Canada, Mexico and Australia. Excellent results were also achieved in the European markets such as the United Kingdom, Poland and Germany.



In FY 2014/2015, the Ferrero Group made new investments, accounting for 5.8% of its sales, in the expansion of its industrial and manufacturing activities, especially in Italy, China, Germany, Poland, India and Brazil. Ferrero currently has 22 production plants.

The Group has also continued to strengthen its presence in the hazelnut market, to guarantee and improve the quality of an essential raw ingredient and to ensure the exceptional taste of its products. Specifically, Ferrero completed the acquisition of the Oltan Group in Turkey, a leading operator in the hazelnut supply, processing and sales market. This acquisition reinforces our commitment to social responsibility in sustainable farming practices, which are already operational in Turkey thanks to a dedicated programme, the "Ferrero Farming Values" (FFV).

Furthermore, in August 2015, the Ferrero Group completed the acquisition of Thorntons Plc, a historical English company founded in 1911, operating in the United Kingdom in the production and marketing of chocolate-based confectionery products. Ferrero and Thorntons is based on a strong family tradition and a vocation to delight their customers with top-quality confectionery products.

Another important result that strengthens our pride: as of 31st August 2015, the total number of Ferrero Group's internal and external collaborators reached 40,721 Women and Men.

From May to October 2015, Ferrero Group also took part in Expo Milan 2015, bringing a glimpse of our philosophy to the universal exhibition, which is fully reflected in the event motto "Feeding the Planet, Energy for Life".

In fact, at the Expo, Ferrero also presented its values, its commitment to quality, its constant innovation, its transparent communication and the care for its people who have made and are part of the Group's history.

Being a global Group does not prevent us from acting locally, thus we maintain our strong bond with the people and territory in which we operate. This is demonstrated not only by our commitment to economic performance and by sharing value with an increasing number of people, but also by our deep sense of responsibility that translates into a specific focus on climate change mitigation: in September 2014, the Ferrero Group, during the UN Climate Summit 2014, signed the New York Declaration on Forests, an agreement that defined the goal of halving deforestation by 2020 and stopping it permanently by 2030.

Beyond this, in the selection of our raw ingredients, we constantly reinforce our stringent criteria of excellence in quality, respect for human rights, environmental sustainability and animal wellbeing, which are imperative for us. Since November 2015, Ferrero has been a member of the Palm Oil Innovation Group (POIG); this represents a further step forward on its path to ensuring a sustainable palm oil supply chain. This engagement derives from the same innovative ambition that, in November 2013, led Ferrero to launch its Palm Oil Charter - in collaboration with its suppliers - to tackle the main causes of deforestation and to create a balance between safeguarding the environment, community needs, benefits and economic feasibility.

The Group continues to share its values in promoting active lifestyles in young people and their families through the global programme Kinder+Sport "Joy of moving", which encourages the practice of sport and helps to spread the joy of moving among children from all over the World.

The Group continues to grow and expand and does so by devoting all attention and dedication to meeting consumer needs, maintaining excellent quality and freshness and doing our best to ensure that "Ferrero values", or what we like to call the "Ferrero way of working", are always applied.

Tradition and innovation are inherent to Ferrero's DNA. If I had to find a metaphor, I'd say that tradition is like a bow. The further back we pull the string, the further forward we can fire the arrow of modernity, of vision, of innovation. The Ferrero Group has a strong, deep-rooted "culture of doing", thanks to the initiative of its people, which has created extraordinary Global Lovebrands, often becoming generational myths whilst always moving with the times.

Our strong sense of ethics, the basis of our entrepreneurial culture, is our value chain: each one of us works along a path lit by the passion, dedication and determination that we put into our products, from their creation to their dispatch and delivery to outlets where they bring light and warm to the hearts of consumers. The more we shine this light throughout the value chain, the more we are likely to secure a constant and unique place in the World.

Enjoy reading!

July 2016



Giovanni Ferrero

Chief Executive Officer
Ferrero International

Ferrero's social responsibility

Ferrero 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 over 65 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 and people living in the communities in which it operates. This commitment is also demonstrated through 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: csr@ferrero.com) headed by the Group's Vice President, Amb. Francesco Paolo Fulci.

Ferrero Group's goals for 2020

SCOPE	DESCRIPTION	PROGRESS
	FSSC 22000 food safety certification for all Group production sites	By 2016 
	Enhance the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project	Reached and renewed 
	Promote internal initiatives to support a " culture of diversity "	Commitment renewed until 2018 
	Increase of 5% in women managerial positions (compared to 31 st August 2015)	By 2020 
	Ongoing support and expansion of our Kinder+Sport programme by extending it in 30 countries all over the world and moving 5 million children	By August 2018 
	100% cocoa certified as sustainable	By 2020 
	100% palm oil certified as sustainable and segregated	Reached in December 2014 
	100% refined cane sugar from sustainable sources	By 2020 
	Implementation of the traceability plan for 100% of hazelnuts	By 2020 
	100% of eggs from barn hens with respect for animal welfare	Reached in September 2014 
	Self-produced electricity totalling 70% (instead of 75%) of electrical consumption of all European plants, of which 18% (instead of 25%) from renewable sources	Partially met in September 2014 

SCOPE	DESCRIPTION	PROGRESS
	Group ISO 50001 certification for the 17 current production sites – excluding the plants of Michele Ferrero Entrepreneurial Project – including power generation plants	By 2020 
	Implementation of a global action plan on energy , according to local needs of existing and future plants, aimed at reducing emissions	By 2020 
	40% reduction of CO₂ emissions from production activities (compared to 2007)	By 2020 
	30% reduction of greenhouse gas emissions (tonnes of CO _{2eq}) from transport and storage activities (compared to 2009)	By 2020 
	Use of packaging made from renewable sources (+10% compared to 2009)	By 2020 
	100% virgin cardboard¹ from certified sustainable supply chain	Reached in December 2014 
	100% of virgin paper² from certified sustainable supply chain	Extended to 2017 



PEOPLE



PLANET

ON
TRACKNOT ON
TRACKNEW
GOAL

1. The term cardboard refers to materials with a density (mass per square metre) over 225 g/m².

2. The term paper refers to materials with a density (mass per square metre) below 225 g/m².

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.

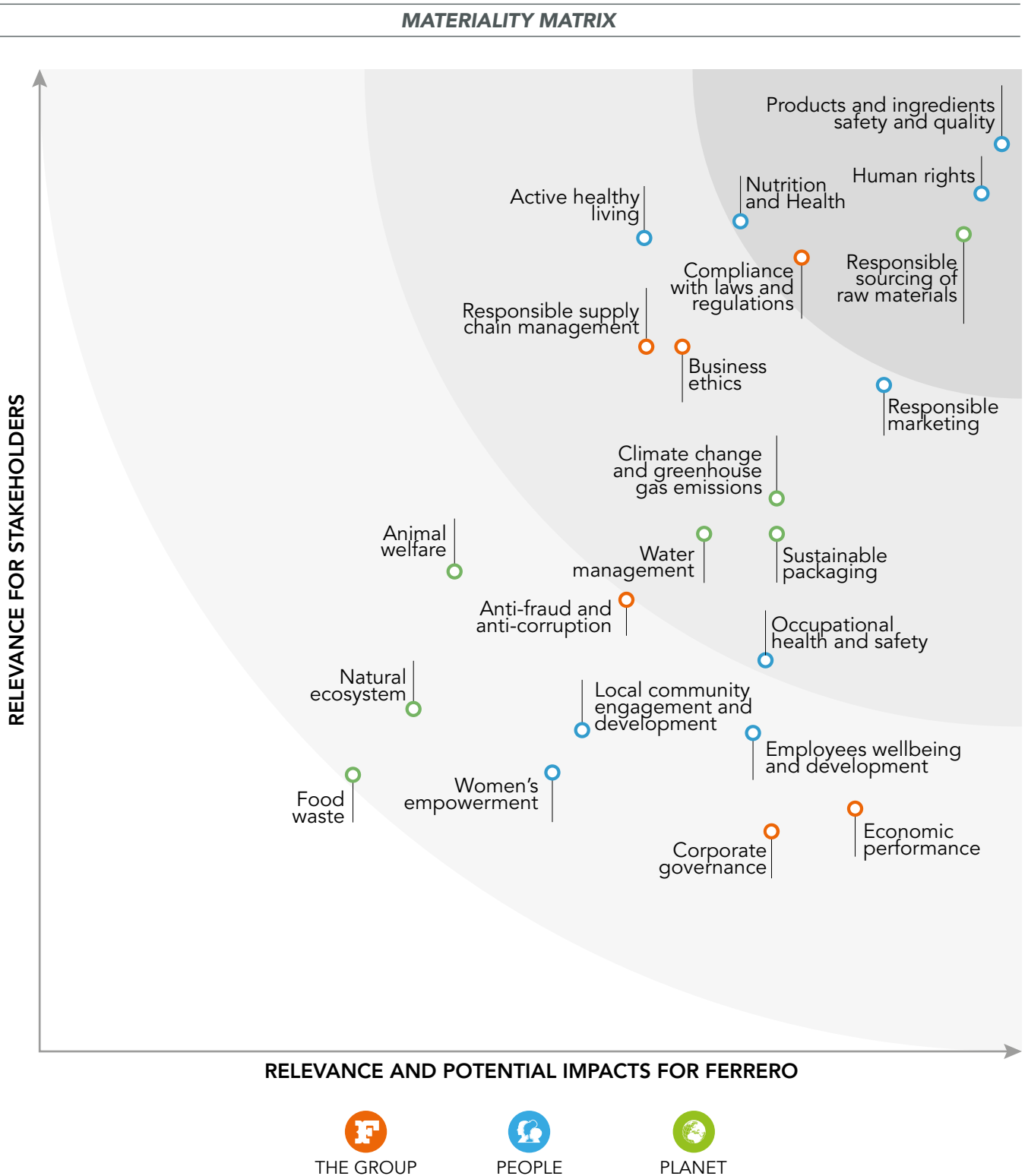
Specifically, the materiality analysis carried out for the preparation of this report aimed to identify and assess the importance of various sustainability topics that affect the Group's ability to create value and those considered relevant by its stakeholders.

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.

As in previous analyses, 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.



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, was also defined and applied a perimeter. The impacts can in fact occur in entities within the perimeter of the organisation, outside of the organisation, or both.

SCOPE	TOPICS	INTERNAL PERIMETER	EXTERNAL 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 and Products	Consumers, Consumer associations and NGOs, Institutions, Governments and Regulators
	Products and ingredients safety and quality	Production plants and 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 and 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 (DMA, *Disclosure on Management Approach*) and specific performance indicators. The coverage of this is shown in the summary table at the end of the report, compiled according to the form proposed by the GRI G4 guidelines.

In conjunction with the materiality analysis, the mapping of internal and external stakeholders was also updated, confirming 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.

As this is the first social responsibility report prepared according to the GRI G4 guidelines, 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.

THE SUPERHERO







The Group in numbers

Ferrero'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 (quintals)

2013/2014	2014/2015	PRODUCTION INCREASE
11,499,000	12,078,000	5%

CONSOLIDATED NET TURNOVER (€/000)

2013/2014	2014/2015	NET TURNOVER INCREASE
8,412,438	9,541,772	13.4%

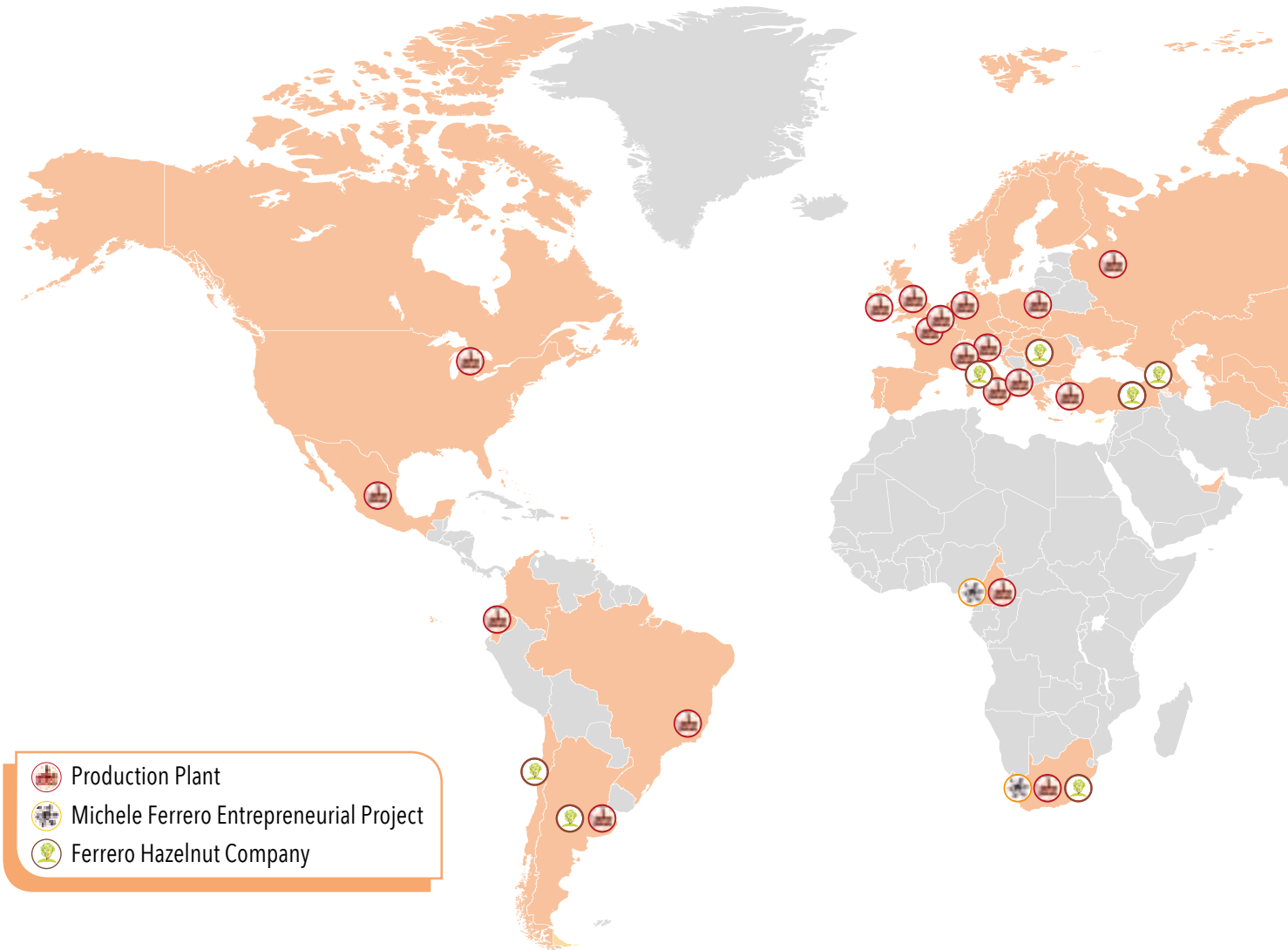
GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED NET TURNOVER FY 2014/2015

ITALY	REST OF EUROPE	OUTSIDE OF EUROPE
15%	57%	28%

AVERAGE GROUP WORKFORCE

2013/2014	2014/2015	AVERAGE WORKFORCE INCREASE
24,836	25,784	3.8%

Ferrero around the World



THE FERRERO GROUP IS PRESENT IN 53 COUNTRIES

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

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*	2006
INDIA	Baramati*	2007
SOUTH AFRICA	Walkerville*	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 2014/2015 the Group used a total of 1,781,339 tonnes¹ 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 stand out in 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 31st August 2015, the Group was composed of 78 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 more than 800 employees work.

During the reporting year, the Ferrero Group completed the purchase of all equity interest in the Oltan Group, a market leader in the supply, processing and sale of hazelnuts and completed the acquisition of Thorntons Plc, an important British player operating in the chocolate confectionery industry.

Moreover, updates from FY 2014/2015 include the completion of the new industrial plant in China to support the development of Ferrero products in that area.

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, is there to provide 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 shall be 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 its assistance the BoD sets the guidelines aimed at strengthening the

effectiveness of the internal control system, including by means of constant reference to international best practices.

The Audit Committee role assigned by the BoD is to:

- provide oversight over Financial Reporting process;
- review Group's Performance with 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.

Furthermore the **Governance, Risk and Compliance department** has developed an initial internal control framework through which the functions implement key risk management and monitoring processes to mitigate operational business risks. This should provide a platform to ensure sustainable growth for the business. This initial phase has continued to expand in recent years, covering the cross functional areas of risk to gradually become an integrated risk management system for the Group, combining the broad issues of gov-

ernance, enterprise risk management and corporate compliance, with a holistic approach, to support the Group's strategic management.

Regarding the operating structure, the Ferrero Group **coordinates all the core processes** from its head office in Luxembourg, namely:

- product research and development and the related production processes and techniques, including the toys;
- creation of plants/equipment of strategic importance;
- production and transformation activities;
- strategic marketing, institutional, development and operating activities.

In addition, the specific vertical integration initiatives launched in the last few years remain in place, namely:

- in the hazelnut agricultural supply chain, with the aim of creating more directly owned plantations and commercial partnerships in order to satisfy part of the Group's demands;
- in developing energy production and sales activities, in order to cover part of the Group's needs, by investing in high-efficiency plants or renewable energy.

The following operations are outsourced:

- packaging for promotional/specific products amounting to about 25-30% of the Group's production volume;
- commercial/distribution activities in certain countries and/or for specific products for about 10-15%;
- certain administrative/accounting services;
- some IT services.

Ferrero's Added Value

By "Added Value" we mean the **economic value generated by the Group**. The "Net Added Value²" 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.

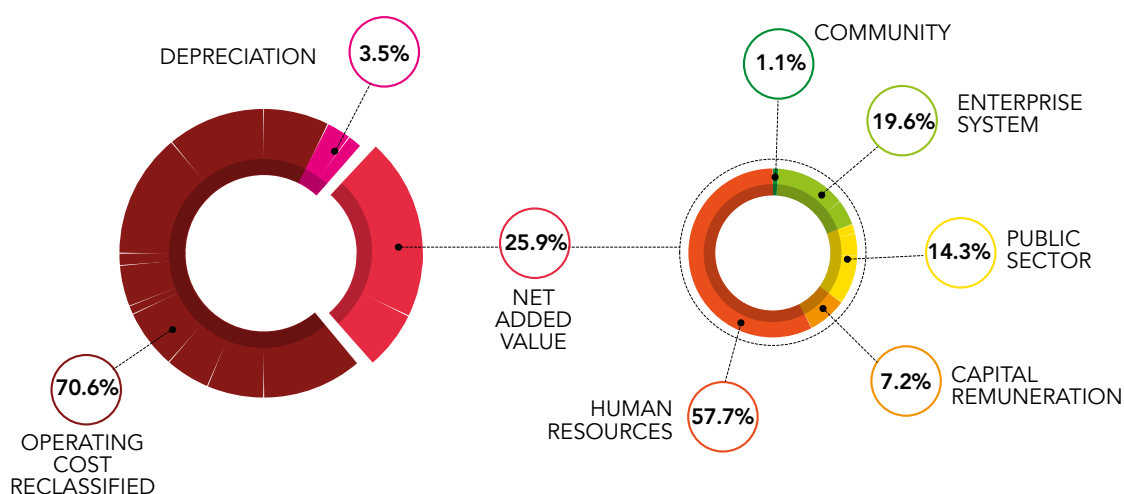
The item "Public Sector" represents the amount the Group must pay to public bodies as corporation tax and other contributions directly connected to the company assets, with the exclusion of taxes and additional costs relating to operations (duties and customs fees).

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 2014/2015 the "Net Added Value" generated by the Ferrero Group was €2,618 million.

ADDED VALUE GENERATED AND DISTRIBUTED - FY 2014/2015



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.

This course will be aimed at all employees³ of the Group.

In relation to contributions from public administration, the income statement contributions and capital grants for FY 2014/2015 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).

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

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).

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).

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).

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.aeforum.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).

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).

CAOBISCO - EUROPEAN ASSOCIATION OF CHOCOLATE, BISCUIT & CONFECTIONERY 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).

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).

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).

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).

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).

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).

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).

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

The ABCDE plan

Since 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) 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.

In addition, new contracts signed in FY 2014/2015 reporting period include a

clause on the acknowledgement and acceptance of the Code, with particular reference to contracts for the production of KINDER® surprises and manufacturing agreements.

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 2014/2015, 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.supplychain-initiative.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 2016, the promoters of the Supply Chain Initiative submitted the second 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 second annual survey of registered companies, the actions undertaken and implementation under the SCI (www.supplychaininitiative.eu/news/sci-2nd-annual-report). 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

Below are details of the percentages of purchases made from local suppliers, from total spending in the countries where the main production plants are located⁴:

SPENDING ON LOCALLY-BASED SUPPLIERS IN MAIN COUNTRIES

COUNTRIES	SPENDING WITH LOCAL SUPPLIERS
Italy*	96%
Germany*	99%
France*	89%
Belgium*	60%
Poland*	90%
Canada	77%
Russia	98%
Turkey*	99%
Mexico	97%
Australia*	94%
Ireland	71%

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

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.

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.

Awards and Honours



October 2015 ***Social Responsibility Award***

The Ferrero Group received the "Social Responsibility Award" at the "South Africa-Italy Business Excellence Awards", organised by the Economic Department of the South African Consulate-General in Milan in collaboration with the Italian-South African Chamber of Commerce in Johannesburg. Ferrero won the prestigious award thanks to its commitment to the "Ferrero Social Enterprises" project.



March 2016 ***NCA Lifetime Achievement Awards***

The National Confectioners Association, one of the oldest trade associations in the world, honoured Michele Ferrero with the NCA Lifetime Achievement Awards during the Association's State of the Industry Conference in Miami. The award, which has only been bestowed 15 times, recognizes an individual whose vision, hard work and dedication have resulted in a significant and long-lasting contribution to the confectionery industry, according to NCA.



April 2016 ***Reputation Institute***

Ferrero is the first Italian company in terms of reputation according to the Global RepTrak® 100 conducted by the Reputation Institute, the world's leading research and advisory firm for corporate reputation, which revealed the 100 most reputed companies in the world. The Ferrero Group ranked 18th in the world ranking and, with a score of 74.8, it ranked the top company in the food sector "top 100".

Also, in Italy, according to the survey RepTrak® Italia 2016, Ferrero was confirmed, for the second consecutive year, the company with the highest reputation, with a score of 85.8. Ferrero was also awarded the "Best CSR 2016", confirming its efforts in terms of social responsibility, which is inherent to the company's DNA.

April 2016
Randstad Awards



From the results of a survey conducted in Italy, on a sample of over 7,000 people aged between 18 and 65 years, including employees, students and unemployed people, Ferrero was voted the most appealing employer by potential employees, with 76.5% of the votes, earning it first place. Furthermore within this survey, Ferrero came first in four out of ten factors: job security, pleasant working environment, good work/life balance and corporate social responsibility.

April 2016
Authentic Brands



The communications agency Cohn & Wolfe submitted a global study on the authenticity of brands perceived from the consumers' point, in terms of honesty and transparency. Ferrero, in addition to being the only Italian company to appear in the global rankings, was named one of the authentic Italian brands.

July 2016
Ethic Panda Award



Ferrero China was awarded the "2016 Ethic Panda Award", for the 2nd time, for its persisting commitment to social responsibility and for its outstanding results achieved, such as the promotion of a healthy lifestyle in China through Kinder+Sport. This is the fourth consecutive year that Ferrero China has received an award at this ceremony.

THE F O P





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.

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.

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 gratitude 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 **Ferrero Social Enterprises**, today renamed "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 their development. These create employment in some disadvantaged areas of emerging countries and carry out social and humanitarian projects and initiatives to improve health and education in children and young people from the local communities.

For a number of years, Ferrero's social responsibility toward people has also taken the form of encouraging young people to get involved in exercise and sport, promoting active lifestyles for young people and their families with 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



Great Brands in small portions

Ferrero produces and distributes some of the world's most popular confectionery products: founded on quality and the ability to **perfectly integrate into a varied and complete diet**, in terms of caloric and nutrient content.

The secret of a balanced diet lies in the correct management of the variety and quantity of foods, and for this reason portions play a crucial role. Thus, from the very first phases of development, Ferrero controls the caloric content of its products, offering them for the most part in portions that easily fit into daily eating episodes, without becoming the exclusive component, whilst also anticipating the current trends within the food industry towards the reduction and moderation of portions.

THIS ALSO FACILITATES AND FAVOURS THE COMBINATION OF FERRERO PRODUCTS WITH OTHER BASIC FOODS OF A BALANCED DIET. THIS ALLOWS THE PROVISION OF AN INTENSE AND PLEASANT TASTE EXPERIENCE WITH THE CONTROL OF CALORIC CONTENT.

The role of our Great Brands in consumers' daily diets is **in line with the fundamental recommendations of modern nutritional science**:

1. a varied diet provides all necessary nutrients;
2. a healthy diet is based on the moderate consumption of every type of food;
3. daily and moderate physical activity positively complements diet, representing the foundation of health. Its absence is in fact the decisive element in the development of overweight and the arising of pathological anomalies.

Based on such premises, Ferrero developed a **strategy that can be considered unique**, as it is based on a particular type of confectionery product. This type of product is cha-

racterised by quality raw ingredients that not only contribute to the provision of energy through their natural composition, but also to the type and quantity of micronutrients that are essential for health.

Furthermore, thanks to the experience and know-how regarding raw ingredients and production processes, in the quest for continuity with traditional recipes, Ferrero does not use hydrogenated fats, bearing trans fatty acids (TFA) that are harmful for health, and does not artificially add micronutrients to its products.

The Ferrero Group is also dedicated to using clear and exhaustive, easy to read labelling in order to not only provide the information that the consumer is entitled to, but also to facilitate nutritional education and promote correct eating habits.

Ferrero's relationship with consumers is based on a food culture that favours their well thought-out and free choice, based on objective information, to enable the development of a positive food culture and nutritional education. Indeed, the Group has a deep awareness that a **greater food education must be an integral part of a healthy lifestyle.**

Indeed, diet, and **not the single food products**, is the determining factor affecting one's health. This belief has been nearly universally accepted for years, which we have integrated into the concept of sustainability, with the conviction that a sustainable nutrition is the only option for our planet.

WITH REFERENCE TO ITS NUTRITIONAL STRATEGY, IN 2011 FERRERO SET UP A SCIENTIFIC NUTRITION COMMITTEE HEADED UP BY THE VICE PRESIDENT OF THE GROUP WHO IS JOINED BY THE HEADS OF THE BUSINESS AREAS INVOLVED IN THE TECHNICAL, COMMERCIAL, LEGAL AND COMMUNICATIVE ASPECTS OF NUTRITION. THE COMMITTEE, WHICH OPERATES IN LINE WITH THE GROUP'S STRATEGIC GUIDELINES, MEETS ON A MONTHLY BASIS AND SUBMITS RECOMMENDATIONS TO THE CHAIRMAN AND TO THE CEO OF THE GROUP. THE COMMITTEE THEN COORDINATES OPERATION DECISIONS.

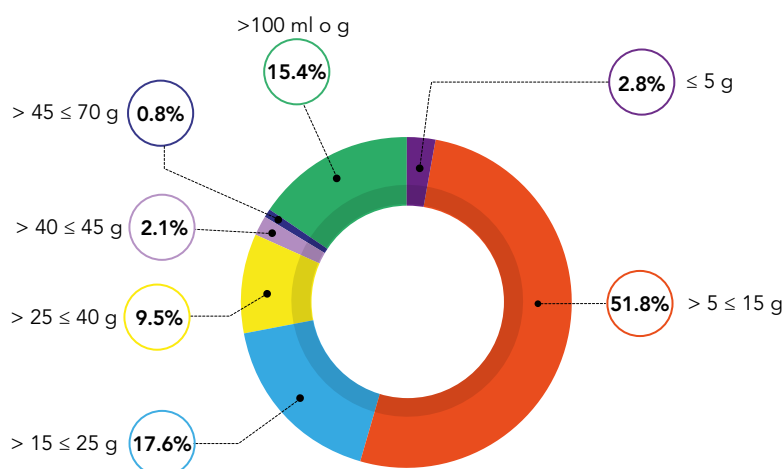
FERRERO'S PORTIONS: RECOMMENDED CONSUMPTION SUPPORTED BY INDIVIDUAL PACKAGING

Ferrero designs and creates products that are unique and tasty, and for this they are sought after by consumers. Combining enjoyment and balance in one's nutritional intake is certainly a personal choice; however, providing most of Ferrero products in individual packaging not only protects the quality of the product, it also clearly indicates the portion size and intake recommendation, whilst meeting product hygiene and safety requirements. This helps consumers to build their own balanced nutritional plan through the different eating moments throughout the day. Thus, the individually packaged portion gives consumers the conscious freedom to choose a needed energy boost or enjoy a treat.

For example, products in the KINDER® line are traditionally offered to children and teenagers, and continue to be prepared in individual portions weighing between 5 g (5.8 g KINDER® Schokobons) and 45 g (42 g KINDER® Delice), which are amongst the smallest in their category.

As illustrated in the following graph, **more than 70% of the volumes of Ferrero products sold around the world are offered in portions weighing less than 25 g and more than 80% in portions smaller than 45 g**, thus providing an energy content that is compatible with an integrated consumption within different eating episodes.

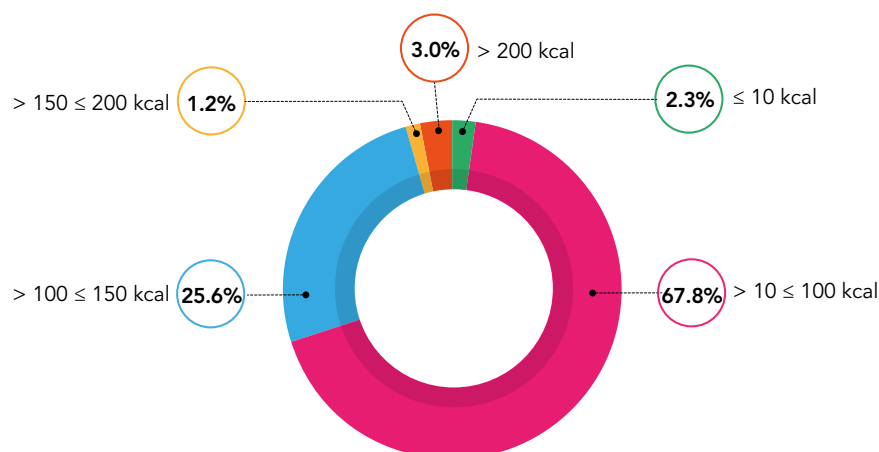
PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS* PER PORTION, IN GRAMS¹



* % of volume of products marketed worldwide, during FY 2014/2015.

Furthermore, **more than 70% of the volumes of Ferrero products are offered in portions that provide less than 100 kcal and over 95% in portions that provide less than 150 kcal.**

PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS* PER PORTION, KCAL



* % of volume of products marketed worldwide, during FY 2014/2015.

The graphs include all Ferrero products that are marketed around the world in FY 2014/2015, with the exclusion of special formats for yearly festivities, product mixes, mini or maxi and special editions, corresponding to around 3% of marketed volumes.

Around 80% of Ferrero products provide less than 130 kcal/portion and the average caloric intake for Ferrero products is lower than 100 kcal.

1. A 15 g portion has been taken into consideration for NUTELLA®, and recommended in the majority of the countries in which it is sold.

The 130 kcal limit caters to the most varied eating moments as the Ferrero product constitutes just as a part of the eating event, thus leaving space for other foods such as fruit, 100% fruit juices, skimmed milk, other dairy products and cereal-based products.

RESULTS OF OUR SCIENTIFIC ACTIVITY

Ferrero contributes to promoting good eating habits also through **a strong commitment to scientific research**. Furthermore, the efforts continue to promote breakfast amongst young people and moderate food consumption across all age groups.

Based on its corporate values, the Ferrero Group conducted and promoted various research activities in the field of nutrition at internationally recognised scientific institutes also in FY 2014/2015. Various university research groups were involved, with unrestricted grants, upholding the principle of impartiality, the independence of the institute and the intellectual freedom of researchers in relation to Ferrero, to obtain scientifically robust results. The results of the scientific research were then disseminated at various conventions, conferences and workshops, and published in journals with high impact factor. However, due to corporate policy, a lot of this information is used only internally or published independently by the authors of the studies.

Therefore in this CSR report edition, the official list of research results presented below is thus only part of the scientific work conducted over the past years by the Group and includes the scientific publications:

- Ruxton, Carrie Helen. *"Food science and food ingredients: the need for reliable scientific approaches and correct communication"*, Florence, 24 March 2015. *International Journal of Food Sciences and Nutrition* (2015): 1-8.

- Fattore, Giovanni, et al. *"Critical review of economic evaluation studies of interventions promoting low-fat diets"*, *Nutrition reviews* 72(11) (2014): 691-706. DOI:10.1111/nure.12142.

Furthermore, some research results were presented with the participation of the Ferrero Group at the following conventions:

- *"33rd International Symposium on Diabetes & Nutrition"* held in Toronto (Canada), from 9 to 12 June 2015;

- *"The new challenge: Back to Basics. Scientific evidence and daily food for a better life"* held at the Milan Expo, on 19 June 2015;

- *"International Summit On Medical Nutrition Education And Research"* held in Cambridge (UK), from 7 to 9 August 2015.

The following studies that were recently completed are also mentioned:

- evaluation of the effects of the chronic consumption of KINDER® products on the body compared with traditional snacks: glycemic, insulinaemic and grelinemic response, sense of satiety and inflammation markers in young adults. The neutrality of effects on the consumption of KINDER® products on the metabolism was confirmed by a cross-over randomized clinical study;

- specific research regarding the role of simple sugars in obesity, diabetes and cardiovascular diseases. In the intervention studies with diets and isoenergetic replacements, the replacement of free sugars with complex sugars does not show any variation in body weight and no significant increase in arterial pressure. On the contrary, the sugar/carbohydrate exchange under 10% does not increase total cholesterol and LDL cholesterol. Finally, when the total calories consumed through diet are less than 2000, there is no increase in total cholesterol or LD cholesterol.

“NUTRITIONAL IDENTITY CARDS” OF FERRERO PRODUCTS

Moreover, product-related documents are created and shared within the company. These documents summarise the product’s nutritional features and its place within daily consumption: breakfast, BMEE (Between Meal Eating Episodes) or at the end of a meal. The document also offers an assessment of the metabolic response to the respective Ferrero product and also, for some of these, an assessment of the effects on attention and mood. Currently **the development of “nutritional identity cards” involves more than 75% of the volumes sold** in FY 2014/2015 and includes:

1. Ferrero NUTELLA®
2. Ferrero Nutella B-ready
3. Ferrero Rocher
4. Ferrero Pocket Coffee
5. Ferrero Estarté
6. KINDER® Surprise
7. KINDER® Bueno
8. KINDER® Chocolate
9. KINDER® Joy
10. KINDER® Milkshake
11. KINDER® Country (Cereals)

OUR RESEARCH AIMS FOR 2015/2016

- Strengthen participation in national and international initiatives promoting positive attitudes in relation to the **inextricable links between nutrition and health**.
- Develop “nutritional identity cards” for **100% of the marketed volumes** of Ferrero products.



Quality and Freshness

Ferrero's business model has been shaped to **guarantee maximum freshness of products** along the entire value chain and to avoid waste of any kind.

We follow the product life cycle starting from the supply of raw materials and packaging to the distribution of the end products to the point of sale.

**WHAT IS OUR MAIN OBJECTIVE?
TO OFFER PRODUCTS OF THE
HIGHEST QUALITY AND FRESHNESS
THROUGHOUT THE WORLD.**

For example, during the summer period, in areas where the high temperatures can prevent the product from reaching the consumer in the best organoleptic conditions, Ferrero suspends the supply of particularly delicate products such as Ferrero Rocher and Mon Cheri, and in some cases orders the withdrawal of these products from the sales channels.

A "General list of flaws" at Group level has been defined to check the finished product on the market, according to which the perceived quality checks are made.

For this purpose, in FY 2014/2015 **more than 750,000 sales point inspections were carried out** at a global level, during which the levels of product freshness were checked and data relative to the room temperature of the same sales points was collected. Furthermore, in more than 110,000 of the total inspections, the activities related to monitoring the quality perceived by consumers were intensified, corroborating the real situation the products undergo until they reach the shelves of the sales points.

TRACEABILITY AND SAFETY

Ever since 1946, thus since its establishment, Ferrero has placed maximum attention on the selection of raw materials and ingredients.

It is in fact their **quality** and **freshness** that determines the particular organoleptic characteristics of the products; for this reason, Ferrero has

developed its own innovative procedures, such as the so-called "sacco conosciuto".

This expression identifies all activities carried out by Ferrero's experts, such as organoleptic checks and analyses, supplier inspections, food safety procedures, to guarantee the traceability of the raw materials.

ALL OF FERRERO'S SUPPLIERS WORLDWIDE ARE SELECTED AND ASSESSED AT A GROUP LEVEL WITH UNIVOCAL CRITERIA, THROUGH A PLATFORM CONNECTING THEM WITH OUR FOOD TECHNOLOGY EXPERTS.

Also on the basis of Ferrero's Commercial Conduct Code, an ongoing inspection is carried out at suppliers' production sites, during which specific checks are carried out on the systems and procedures adopted to guarantee the safety and quality of the supplies.

Upon acceptance, the suppliers' plants endorse the Group's specific internal protocol, in line with the modern risks assessment, which defines the type and frequency of chemical-physical and organoleptic testing to be carried out on the samples of incoming goods.

In addition to a rigid internal control system, food safety is also guaranteed through assessments carried out by external, independent and certified institutions.

Innovation

Innovation is one of the principal factors that drives the success of Ferrero products: in the past 50 years, the Group has created **innovative products** that have become true legendary brands over time. Studies on innovation are carried out by a dedicated research and technology company operating within the Group: the company has allocated resources and skills to the research of new products that can satisfy and respond to consumers' needs, not only latent ones. The company, made up of researchers involved in both technical studies and in the identification of modern nutritional needs and eating habits, uses new raw materials and innovative production techniques with the aim of creating unique, tasty, high quality products in conformity with the Ferrero philosophy and values.

The process that precedes the launch of a new product is long and meticulous: the **study**, research and product specific testing, is followed by distribution within certain markets where it is **introduced to the consumer** and the degree of appreciation monitored. Only when the product successfully passes the numerous and lengthy testing phases does its industrial production begin.

Presently, Ferrero researchers are working on **more than 100 new projects**, some of which are ready to be launched on the market. Behind each product, that might appear very simple to the eye of the consumer, there is a patented cutting edge technology, unique in the world, that testifies to the passion that Ferrero puts into the innovation of its products.

Ferrero taste tests

To make sure the products conform to the high standards of the Ferrero taste, in addition to the typical lab test, **a sensory analysis, known as "taste test" has also been implemented**, for the purpose of expressing a final judgment on the taste of the product, in all its facets and on the aesthetic and presentation aspects. The analysis implies:

1. raw material taste tests, which are carried out during the acceptance phase;
2. taste tests of semi-finished and finished products, carried out during the production phase;
3. management taste tests, carried out by the heads of the production units;
4. "spiderweb" tests.

For further details on the assessments and "tasting" of one of our historic products, see the Tic Tac® focus hereunder.



THE ADVANCED STANDARDS OF OUR PRODUCTION PLANTS



Ferrero plants use a "SAP" special integrated global system that ensures data on quality control processes is shared, integrated and managed centrally within the Group.

Presently, the system is operational in the majority of Ferrero plants around the world and this enables the collection and processing of data at a global and coordinated level. In particular, focusing on the processes of the Ferrero model in relation to Quality, the system was implemented in FY 2014/2015 at the plant in Cork (Ireland) covering up to 17 of the 20 plants. Specific project initiatives are also underway in the factories in Ecuador and South Africa, which entail the adoption of the Ferrero Group's Quality Model.

The factories where the SAP system is not yet operational are provided with a Quality process management system (Fenice) and through a web of electronic connections with the Central Quality Management it is possible to guarantee the governance of Quality processes in all the Group's plants.

Furthermore the production lines work through Quality data sharing with the SAP system. This system has been implemented in another 2 plants (in Brazil and in Ireland) currently covering 17 out of the total 20. The rollout of plants still not included in the system will be completed before the end of 2016 with the exception of the plant in Cameroon.

THE EXCELLENCE OF THE PRODUCTS AND THEIR SAFETY IS GUARANTEED BY A SYSTEM OF INTERNAL PROCEDURES VERIFIED BY MEANS OF INTEGRATED AND SYSTEMATIC INSPECTIONS BY THE CENTRAL QUALITY MANAGEMENT IN THE PLANTS AND ALONG THE LOGISTIC CHAIN.

These inspections are carried out in all of the Group's plants, warehouses and in the premises of subcontractors, to verify the correct application of the stringent Ferrero product specifications for food safety (in line with the requisites of regulation FSSC 22000, HACCP) and Quality management system (in line with ISO 9001 requisites).

The system is also certified by external, independent institutions. **Ferrero's objective is to obtain, for all its production sites, the certification of the two strictest and most prestigious international standards: the ISO 9001 and FSSC 22000.**

To further strengthen the concept of the "Professional Quality family", an annual Convention on Quality is held, attended by all the resources involved in Production Quality, Commercial Quality and Central Management Quality.

The event's main objective is to strengthen the concept of "Group Quality" through three days of sharing ideas, issues and best practices; the convention is attended by 60 colleagues of the Ferrero Quality Departments around the world.

The following tables indicate the status of the management systems certifications of the Group's plants.

PLANTS INCLUDED IN THE GROUP'S ISO 9001:2008 CERTIFICATION

PLANTS	ISO 9001:2008* CERTIFICATION AS OF YEAR:
Alba (Italy)	1999
Arlon (Belgium)	1996
Balvano (Italy)	1996
Baramati (India)	2013
Belsk Duży (Poland)	2001
Brantford (Canada)	2011
Cork (Ireland)	1994
La Pastora (Argentina)	2000
Lithgow (Australia)	1999
Manisa (Turkey)	2014
Poços De Caldas (Brazil)	1999
Pozzuolo (Italy)	1998
Quito (Ecuador)	1999
S. Angelo (Italy)	1999
San José Iturbide (Mexico)	2014
Stadtallendorf (Germany)	1994
Villers-Écalles (France)	1997
Vladimir (Russia)	2010
Walkerville (South Africa)	2012

** It should be noted that, prior to 2008, the plants were certified in conformity with ISO 9001 requirements in force at the time of issuance of the same.*

With regard to the plant in Cameroon, the ISO 9001:2008 certification is due to be issued by the end of 2016.

We also highlight that adjustments are foreseen for the ISO certification in the new edition of regulation 9001:2015 by 2017 for all plants already having the 2008 version of the certification.

FOOD SAFETY CERTIFICATIONS OR ACCREDITATIONS OF TESTING LABORATORIES

PLANTS	FSSC 22000 from:	ISO 22000 from:	IFS, COSTCO, HACCP from:	ISO 17025 from:
Alba (Italy)	2014		2007	2006
Arlon (Belgium)	2014		2006	
Balvano (Italy)	2014			
Baramati (India)	2015 (December)			
Belsk Duży (Poland)	2013		2006	
Brantford (Canada)	2014		2008	
Cork (Ireland)	2013		2011	
La Pastora (Argentina)	2011	2008	2015 (December)	
Lithgow (Australia)	2011			
Manisa (Turkey)	2015 (September)			
Poços De Caldas (Brazil)	2015 (November)	2007		
Pozzuolo Martesana (Italy)	2016 (January)			
Quito (Ecuador)	2013		2010	
S. Angelo (Italy)	2013		2011	
San José Iturbide (Mexico)	2016 (March)		2015 (May)	
Stadtallendorf (Germany)	2012		2006	2007
Villers-Écalles (France)	2012			
Vladimir (Russia)	2015 (September)	2013	2010	

In particular, in the course of 2015, a further 4 Ferrero plants (Manisa, Baramati, Poços de Caldas and Vladimir) obtained the certification standard FSSC 22000, which represents the highest level in food safety certification, whilst 2 additional plants (Pozzuolo Martesana and San José Iturbide) obtained the certification in the first months of 2016.



Finally, in line with the corporate strategy, all the Group's plants have implemented and adopted the HACCP (*Hazard Analysis and Critical Control Point*) Plan.

CASES OF NON-COMPLIANCE

ISO 9001:2008 Ferrero Quality Management Systems Certification

In the course of FY 2014/2015, 7 audits were carried out by external certification institutions on the plants of S. Angelo dei Lombardi, Lithgow, Arlon, Stadtallenforf, Walkerville, Brandtford, as well as the Group's Quality Management and other central functions: the overall results of the audit were substantially positive since no instances of "non conformity" emerged in any of the sites.

IFS – International Featured Standard – FOOD

During the course of FY 2014/2015, the investigations carried out to verify conformity with this certification standard in the plants of Alba, Arlon, Belsk, Cork and Stadtallendorf resulted in a level of conformity described as "*Higher Level*", with an average of 97.9%.



OUR GOALS FOR 2015 AND 2020

1. Set up a **central consumer complaints centre** in which consumer feedback is managed in an univocal and structured manner, creating a worldwide database **by 2015**. The project is nearing its implementation and has involved all the relevant heads of department; in particular the corporate department that deals with computer systems, which has fine-tuned a plan for the implementation in all the Business Units of the corporate computer package, known as GCC (Gestione Contatti Consumatori) i.e. Consumer Contacts Management. Since December 2015, 98% of FY 2014/2015 trade volumes have been centrally monitored and the procedure for the management of consumer complaints was implemented by all of the Group's Business Units. Within the context of the Group's Quality system, the centralized management of complaints enables the implementation of prevention/correction measures to avoid non conformities as well as manage them in a coordinated manner if they do occur.

2. **Extend the FSSC 22000 food certifications to all Group plants by 2015**, with the exception of Michele Ferrero Entrepreneurial Project whose objectives, which include the ISO 9001 certification and the FSSC 22000 food safety certification, is set within the year 2016. In line with the set objectives, the plants in Pozzuolo Martesana and San Josè Iturbide also obtained the FSSC 22000 certification in the first months of 2016. It is confirmed that, for the plants in Cameroon and in South Africa, the certification is expected to be issued by the end of 2016.

3. Obtain **the integration of food safety audits/inspections of the contract packers (subcontractors) and of the warehouses**, to ensure complete coverage **by 2020**.

The overview of the entire supply chain by way of audits, inspections and other methodologies is currently being developed through various initiatives, starting with the application of the integrated quality monitoring system in the warehouses, which implies documented assessments conducted by the local heads of logistics, plant quality and market quality. Presently, the food safety audits/inspections conducted by the Group's Quality Control in the warehouses have reached a cover percentage of 63%². In the course of FY 2014/2015 the integrated monitoring system was launched in its test phase in 4 countries (Italy, Germany, France and Brazil) and in the course of FY 2015/2016 it will be launched at a global level.

With reference to the food safety audits/inspections conducted at the premises of the Co-Packers, the percentage of coverage obtained reached 83% of the total³ Co-Packers.

4. Obtain **ISO 9001 certification at a global level with a single manual and procedures that apply to the entire Group**: in this way, our plants throughout the world will be units of a single "global virtual plant", by 2020. 19 of the 20 plants have already achieved the ISO 9001:2008 Group certification and, earlier than predicted in the initial objectives, the plant in Cameroon should also obtain the certification by the end of 2016.

2. This percentage is calculated on the total space in the warehouses expressed in pallet space in the period between September 2012 and August 2015.

3. This percentage is calculated on the total Co-Packers in the period between September 2012 and August 2015.

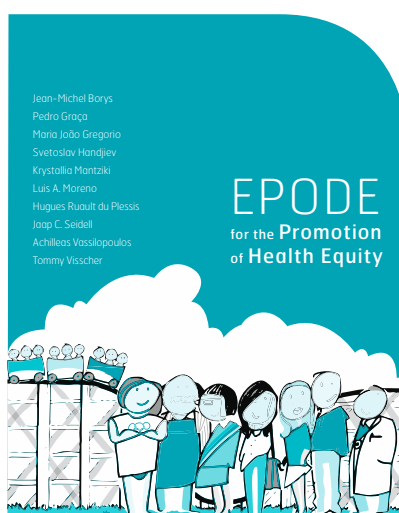
Responsible communication

For 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 nutritional 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 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 national, as well as international level:



With the support of



- Ferrero is a member of the International Food & Beverage Alliance (IFBA) (www.ifballiance.org), an association of the world's leading food companies that are committed to promoting self-regulation programmes regarding formulation and portioning of food, nutritional information to consumers, responsible advertising directed at children and physical exercise.
- In addition, Ferrero is a member of the World Federation of Advertisers (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-regulation initiatives, including:

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

As of 2006, in the framework of the European Platform on diet, physical activity and health, organized by the European Commission, Ferrero made a series of commitments on healthy lifestyles, in particular concerning: nutrition labelling, responsible advertising, the promotion of physical activity (through its Kinder+Sport Programme) and healthy lifestyles in general (by supporting the EPODE – Ensemble Prévenons l'Obésité Des Enfants – project and the EPHE – Epode for the Promotion of Health Equity – project: www.epheproject.com).



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 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**. In particular, since January 2013 Ferrero:

- applies self-regulation standards and does not advertise its food products to **audiences with more than 35% of children under 12 years on Television, Print and Internet;**

- in light of the growing importance of digital in marketing, agreed to extend the scope of its commitments to include company owned websites.

The results of the external monitoring by Accenture confirm the positive progress achieved over the last five years (<https://ifballiance.org/wp/wp-content/uploads/2016/04/>

[IFBA-2015-Accenture-Marketing-Compliance-Monitoring-Report1.pdf](#)).

To monitor television advertising carried out in 2015 by IFBA companies and check the compliance with IFBA's Policy⁴, Accenture analysed over 700,000 advertising spots for a period of three months in the following ten countries: Brazil, China (Shanghai), Colombia, Indonesia, Malaysia, Russia, Saudi Arabia, South Africa, Thailand and United Arab Emirates. The aggregate data shows that the general level of compliance of television advertising was 97%.

Monitoring of print advertising was conducted in the following five countries: Brazil, China (Shanghai), Russia, South Africa and Singapore. In this instance, compliance was 100%. The corporate websites showed a 99.8% rate of compliance with the commitments made in four countries: Singapore, China, Russia, Brazil.

With regard to Ferrero specifically, **monitoring pledges about televi-**

4. Accenture's report on television monitoring of the IFBA pledge was written in the second quarter of 2015.

sion advertising was carried out on a sample of seven countries and the compliance levels⁵ were as follows:

Brazil: 99%, Malaysia: 92%, South Africa: 97%, United Arab Emirates: 100%, Colombia: 83.5%, Indonesia: 99.6%, Russia 96.5%.

Accenture monitored print media advertising for compliance between September and October 2015 in Brazil, China, Russia, South Africa and Singapore. **No cases of non-compliance were encountered in these countries.**

Online advertising, including corporate websites, was also evaluated between January and February 2016 in Brazil, China, Russia and Singapore. Once again, Accenture's monitoring activities did not encounter any violations of the pledges made by Ferrero.

For the future, Ferrero is actively working to **implement the EU PLEDGE "Enhanced 2014 Commitments" by the end of 2016**. Such enhanced commitments will enlarge the application of the IFBA Policy to radio, cinema, DVD/CD-ROM, direct marketing, product placement, interactive games, mobile and SMS marketing. In addition, where no reliable audience measurement data is available (e.g. digital advertising), the overall impression of the marketing communication will also be considered, to ensure that the communication is not inherently designed to appeal primarily to children under 12.

5. These compliance levels are for the monitoring carried out on adverts shown during the "All spots (All GPRS, All Time)" hours.

AT EUROPEAN LEVEL

In Europe, Ferrero takes part in the "EU Pledge" initiative, which fosters **a responsible approach in food products 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 organisations⁶:

- **Accenture Media Management** monitored television advertising broadcast in the following seven European countries: France, Germany, Hungary, Italy, Poland, Portugal and Spain;

- the **European Advertising Standards Alliance (EASA)** 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: Belgium, France, Germany, Hungary, The Netherlands, Poland, Czech Republic, Spain, Portugal and United Kingdom.

The overall compliance rate for television advertising by signatories to the EU Pledge was 98.9%, an increase on the results of last year (98.5%).

In relation to website monitoring, this year a total of 219 sites were checked and the overall compliance rate was 100%. The compliance rate is higher than the reported last year which was 97%.

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

Ferrero does not advertise any food products in Europe to children under the age of 12.

An intense activity of coordination of the various teams involved in the issue of responsible advertising (marketing/legal/media planning/business units) was carried out, to keep ensuring 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 compliance rates for 2015** were:

Spain 96.4%, France 99.7%, Portugal 98.7%, Poland 98.6%, Hungary 99.1%, Germany 99.9% and Italy 99.4%.

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 219 websites analysed, 26 belong to Ferrero: none of them contained items that were considered as potentially in breach of advertising codes or relevant advertising laws. Compared to the previous year the case of non-compliance lowered again.

6. The data presented in the following Accenture Media Management and EASA report refers to the second half of 2015.

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, nutritional information and food education, promotion of physical activity and responsible advertising communications. Such monitoring reports are assessed by an external body appointed by the European Commission.

The 2014 monitoring report of the commitments Ferrero made in the context of the platform was assessed with the following results:

- "promotion of physical activity": satisfactory;
- "media literacy & responsible advertising to children": not satisfactory (due to mainly administrative reasons, such as not providing enough information about the human resources involved and the dissemination of the results);
- "product formulation and portion sizes": not satisfactory (Ferrero product portion sizes were not reduced further during FY 2014/2015; however, this happened because Ferrero's existing small portion sizes already allow to correctly integrate its products into the five eating episodes of daily diets);
- "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 nutritional information on the back of pack.**

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

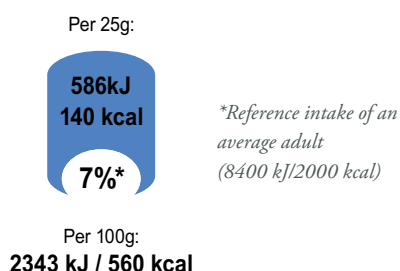
EU regulation 1169/2011 on the provision of food information to consumers came into force on December 13th 2014, setting new requirements for food product labels. In line with the requirements of this regulation, the Ferrero **Group has decided to continue providing nutritional information on the front of pack on a voluntary basis**, renewing its commitment to respect 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 (products in the 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 by 100 g of the product and per portion, in kilocalories and in kiloJoules;

- the following wording close to the logo: "Reference intake of an average adult (8400 kJ/2000 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, the implementation of the “**IFBA Principles for a Global Approach to Fact-based Nutrition Information**” continued also during 2015. In particular, the principles were applied in the following countries and regions: Argentina, Australia, Brazil, Brunei, China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, Ukraine, Persian Gulf Region and Northern Africa. **Full implementation of such Principles on eligible Ferrero products is confirmed to take place globally by December 2016**, with the exception of countries where applicable local regulation may not allow it.

в одній
порції 12,5 г:



Image 1

на порцію 12,5 г:



Image 2

Two examples of how the new IFBA commitment of displaying calorie content on front of pack could be put into practice are illustrated above, depending on different countries' requirements. In the countries where a recognised "reference intake" does not exist (or where use of RI is not permitted), just 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

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, Ferrero has continued to participate in the numerous national EPODE projects in the following European countries:

- **France:** Ferrero continues to support the project **Vivons en Forme**, the positive results of which were confirmed in several French cities: in Saint-André-lez-Lille, for example, the level of obesity and overweight in children dropped from 18.09% in 2008 to 10.77% in 2015.

- **Belgium:** in 2015, the positive results of the **Viasano** project were published in the scientific review *Pediatric Obesity*⁷, showing a reduction of 2.1% in the prevalence of overweight children and a 0.3% reduction in childhood obesity in

2007-2010 in two pilot towns taking part in the project.

- **Spain:** Ferrero continues to support the **Thao** project, aimed at reducing childhood obesity. In 2015, the project reached 71 Spanish towns. The project ended in October 2015.

- **The Netherlands:** in 2015 the **JOGG** project launched a weekly programme in Breda to promote healthy lifestyles in targeted districts across the city where particularly high levels of obesity had been detected.

FERRERO'S CONTRIBUTION IN	PROGRAMME	CITIES	YEAR	EUROS
European Union	European Epode Network/EPHE (www.epode-european-network.com)	7 Member States	2015	150,000
France	Vivons en Forme (www.vivons-en-forme.org)	250 towns	2015	250,000
Spain	Fundacion Thao (www.thaoweb.com)	71 towns	2015	30,000
Belgium	Viasano (www.viasano.be)	20 towns	2015	80,000
The Netherlands (Breda)	JOGG (www.jongerenopgezondgewicht.nl)	91 towns (Ferrero is only involved in Breda)	2015	20,000

Since 2012, EPHE (Epode for the Promotion of Health Equity) has been the flagship project of the EEN platform. The project was co-financed by the European Commission (DG SANCO) and six European universities. The project, covering three years from 2012 to 2015, was based on local initiatives that actively reach out to families, schools and local communities. EPHE, with

7. J. Vinck et al. "Downward trends in the prevalence of childhood overweight in two pilot towns taking part in the VIASANO community-based programme in Belgium: data from a national school health monitoring system", *Pediatric Obesity*, 31st March 2015, <http://onlinelibrary.wiley.com/doi/10.1111/tjpo.12022/abstract;jsessionid=90C-81F4E996307EEB39CF-C02D4DE806D.f03t01>

its focus on socio-economic inequality, specifically targeted economically and socially underprivileged people with the aim of **reducing diet-related illnesses and those caused by inactive lifestyles**.

The programme reached 1,266 children (with an average age of 7.17) **and their families** in the following seven European countries: The Netherlands, Belgium, Romania, Bulgaria, Portugal, Greece and France, showing a high response rate achieved in almost all countries. The project ended in 2015; its final results were published⁸ and presented in a public event held in Brussels in September 2015. The outcome of the project give new insight into energy-balance behaviors and their determinants, which could be the focus for the development of effective interventions aimed at reducing inequalities in childhood obesity.

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 involving in combating obesity - the scientific community, industry and local authorities and communities - making it possible to identify the specific actions that need taking and thereby having a real impact on territory.

8. Jean-Michel Borys et al. "EPODE for the promotion of health equity", Lavoisier Publishing (France), 2015.



Kinder Surprise Company

THE STORY OF OUR SURPRISES

For 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 dedicated to developing and creating small KINDER® toys, whose features and playability of the surprises 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 in learning and they always look for new stimuli.

Both kids and parents look for socializing and for moments of sharing through the joy of playing together. This need explains the challenge for Ferrero to always provide new toys

and games to make them interact and create an emotional bond between them.

Kids are our future, that is why 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 one of their rights!

Play develops intellectual, creative and problem solving skills, imagination, the ability to relate to others, movement and coordination, especially at the 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).

Article 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 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, wor-

king 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:

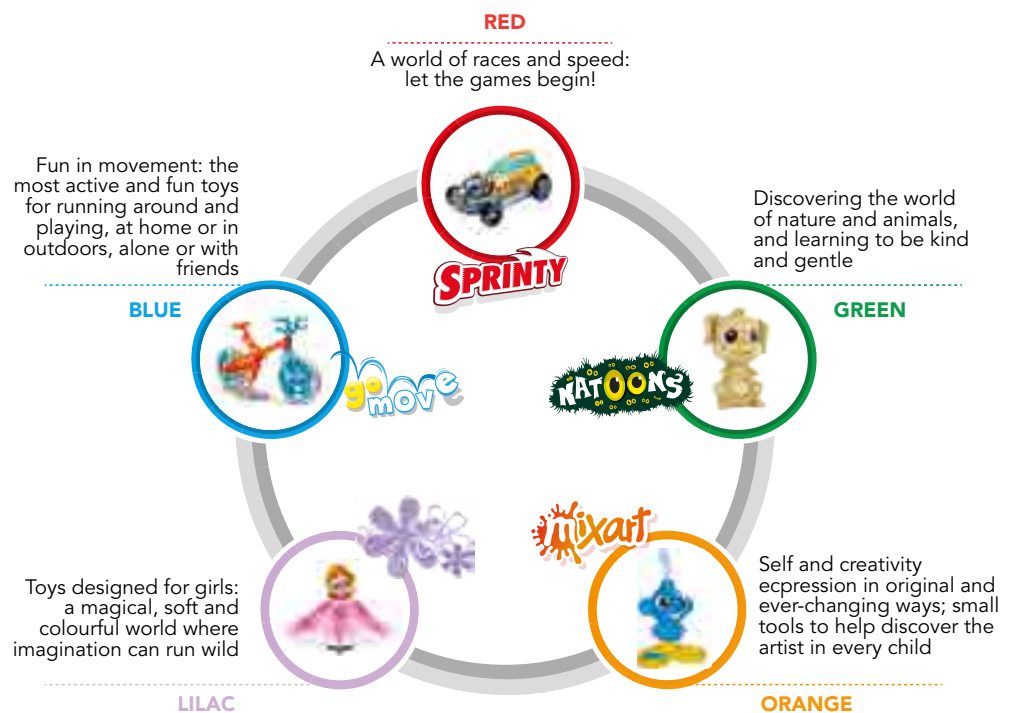
COGNITIVE DEVELOPMENT	The process of assembling the toys stimulates logical thinking and putting actions into a sequence, developing both problem-solving skills and curiosity.
EMOTIONAL DEVELOPMENT	The satisfaction achieved by reaching a goal (assembling a toy) and by interacting with small toys designed to appeal to children and stimulate creativity.
RELATIONAL DEVELOPMENT	Interaction with friends and family, encouraged by the surprise toys, helps children socialize and live happy experiences with others.
MOTOR DEVELOPMENT	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 marketing leaflet, which always accompanies the toy, illustrates play activities and provide story starters 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 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 | 4. Researches on mums and kids |
| 2. Creative phase: first ideas and analysis | 5. Certifications and voluntary tests |
| 3. Design prototypes and pre-evaluations | 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 is important to also consider all the different needs con-

nected 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 of 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 high quality dedicated materials to avoid breakage and at the same time guarantee high design standard.





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 by the Responsible of the Project, 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 as 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 concept of the toy.



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 References⁹.

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 with 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.



9. 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, so as to evaluate:

- overall liking and main KPIs of each single surprise;
- evidences on 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 rear);

- a 20-30 second reel showing each surprise and the related playability.

2. Qualitative approach, so as to evaluate:

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

Ferrero usually relies on Focus Groups methodology.

During about 9,000 interviews around Europe, Asia Pacific and Latin America, Ferrero collects 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 for toys Safety and Quality, states that KINDER® surprises must be fully compliant with International regulations and Ferrero internal requirements. To ensure that, 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 (EN 71).
3. The international toy safety standard ISO 8124, which regulates the testing methodology and the evaluation of the result for mechanical test.
4. MERCOSUR standards on toys produced internationally.
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 EN 71 standards.

b. VOLUNTARY TESTS

Ferrero also adopts additional voluntary tests, which are part of the Ferrero Toys Safety Code 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. Only if the tests do not cause the break of the toy or any of its parts, toy can be admitted for manufacture; 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.



TOY MADE WITH VERY RESISTANT MATERIAL (I.E. NYLON) BECAUSE IF MADE IN POLYPROPYLENE OR ABS WOULD NOT EXCEED THE MECHANICAL TESTS.

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

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 (70N, 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 tests

In addition, 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.



One full shot for each test shall be verified for every production shift and the results will be transferred automatically 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 of the shift from which the samples have been drawn shall be isolated and KSC Quality Department, after performing additional analyses, will 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 pass only and if there is not 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 the stable growth of the European production centers, Ferrero has invested in a geographical decentralization, which has also permitted to contribute 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 IN MORE THAN 25 PLANTS AND COUNT AROUND 20,000 EMPLOYEES.

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 innovative production process: "co-injection moulding"

BEFORE

Injection moulding is the traditional process used for manufacturing most plastic objects. The traditional process of toy surprise manufacturing involved injection moulding and then painting by hand.



NOW

The endless quest for improvement led to a change in the design of the surprises. Meaning that the manual painting is being flanked by over-moulding technique that increases the efficiency of the overall process. Furthermore, this innovation reduces the use of paints and solvents during production and released into the environment.



This technology, which Ferrero is bringing to perfection internally, produces finely decorated items combined with production efficiency.

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 both to **maintain the desired high qualitative standards** and to keep sharing the transfer of know-how and skills to the Group's suppliers.

The Code, 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 on the basis to ensure the ethical requirements are applied and complied to, as these are the core values.



THE INSPECTIONS CARRIED OUT BY THESE BODIES CONFIRM THAT THE TREND OF SURPRISES' 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, ANY CASE OF CHILD LABOR OCCURRED: NEVER, IN NO CASE 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 certain of its licensors, which 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. So advertisements and commercial communications relating to our products are directed, in terms of content and in the purchase of advertising space, mainly at to 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 Communications to Children, defined by the International Food & Beverage Alliance (IFBA) in Brussels.

In compliance with this policy, 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 which use different criteria.



About Magic Kinder App

The Magic Kinder App has been created for families with children taking into account the wishes and needs of parents around the world. It is a safe space for children by giving the parent total control in the usage of the app through special settings that only the parent can access. Avatars can be added, time limits can be set and the parent can also decide how much content your child can download.

Magic Kinder contains exclusive content from games, stories, videos and various activities such as quizzes and coloring. All geared towards being educative and entertaining so that children can interact whilst learning.

The Magic Kinder application is distributed in 168 countries, developed in 11 languages and contains five formats (play & learn, watch videos, read stories, draw & paint and discover the planet) declined in content that is always educational and/or helps families to have magical moments together.



THE FERRERO FOUNDATION

Founded in 1983 as a Social Enterprise by Michele Ferrero who named the foundation after his parents and uncle, founders of the confectionary industry, the Foundation has always been presided by Mrs. Maria Franca Ferrero and is located in Alba, in the province of Cuneo, a short distance

from the production plant. In 1991 it was recognised as a foundation by the Italian Ministry of the Interior and in 2005 its role was praised by the President of the Italian Republic as he awarded Mrs. Ferrero with the gold medal for meritorious work with schools, culture and art.

«I WISH TO GUARANTEE THOSE WHO HAVE CONTRIBUTED TO DEVELOPING INNOVATIVE PRODUCTS AND SPREADING THEM AROUND THE WORLD, AND THUS HAVE CONSTANTLY STIMULATED CREATIVITY, A PHYSICAL SPACE, HUMAN RESOURCES AND FUNDING TO CONTINUE TO LEARN NEW THINGS ON THE CONDITION THAT THE FRUITS OF WHAT IS LEARNED IS ALSO DONATED TO THE TERRITORY».



With these words, in 1983, Michele Ferrero expressed his wish to create and donate a Foundation whose initiatives would benefit Ferrero's "elderly", i.e. those employees in service or in retirement «who – as established by the Statute – have been employed for at least 25 years on a continuous basis».

The Foundation aims to improve the quality of life of the elderly through all its activities, encouraging the development of social relations, commitment and knowledge. By offering a variety of activities, the Foundation helps the elderly to live the ageing process as an occasion to discover new opportunities and valorise the social capital of the individual.

The Foundation is defined by its motto, which expresses three concepts: **Work, Create, Donate**. "Work", the commitment, dedication and responsibility gained by the elderly during their working life which can be applied to new ideas and projects; "Create", the innovative nature of the activities carried out by the elderly which lead to new paths and do not reduce work to simple repetitions of previous experiences; "Donate", the benefits generated by those who

offer their time and commitment become a gift for both themselves and others.

The Foundation is housed in a complex where it is able to meet the needs of around 3,500 former employees and their spouses, providing a meeting place, workshops, a library, a multi-purpose auditorium, gyms, exhibition halls and spaces for medical and clinical conferences. There is also a state-of-the-art nursery for employees' children.

Embodying the ethical principles of the Ferrero family, the Foundation has become a point of reference for all the companies of the Group. It has provided a model for the "Opera Sociale" (Social initiatives) in Stadtallendorf, Germany, established in 2008, as well as guide all initiatives supported by Ferrero France since 2005, in favour of employees, the elderly and children. These initiatives include the creation of the Social Unit, the Nursery School, Mini Club, Summer Camps, School Support, Scholarships. From its engagement in such activities and over thirty years of experience, **the Ferrero Foundation is also a model for Michele Ferrero Entrepreneurial Project** active in Africa and Asia.

«I BECAME CONVINCED THAT THE FERRERO GROUP SHOULD OFFER HUMAN AND FINANCIAL RESOURCES TO TANGIBLY THANK ITS SENIOR EMPLOYEES, AND IN PARTICULAR ITS PENSIONERS, THUS GUARANTEEING THEM A PLACE THAT SIMULTANEOUSLY MEETS THEIR MATERIAL AND MORAL NEEDS ALWAYS AND EVERYWHERE AS WELL AS REPRESENT A VITAL AND LONG LASTING ACTIVITY CENTRE».

These are again Michele Ferrero's words that demonstrate how, already in 1983, his intentions were to operate within the concepts of social entrepreneurship.

For over thirty years, all of the Ferrero Foundation's initiatives have been based on this philosophy.

The Foundation's mission and structure have been amply described in the Group's previous CSR reports (available at www.ferrerocr.com).

SOCIAL PROJECTS

The Foundation offers Ferrero's elderly opportunities of a health, medical and social nature, and enables them to carry out motor, cultural and relational activities, with a positive impact also on the local communities and the territory. There are currently **40 activity groups**, through which former employees can attend workshops on tailoring, pottery, photography, embroidery, the internet, foreign languages, drawing and painting. Ecological outings have been organized as well as, singing activities, activities involving children and their grandparents, workshops with chefs, pastry baking lessons and much more. **The elderly provide support and collaboration with the Ferrero Foundation's cultural projects**, which are becoming increasingly more frequent and articulated over time: examples include setting up exhibitions, managing the guest reception, surveillance

services, management of the bookshop during the exhibition events, etc. There are frequent occasions for updating and extending the volunteer activities, in order to provide concrete help to the sick and needy.



HEALTH AND SOCIAL CARE

In 2015, through the health and social care initiatives, **580 medical examinations** were provided to Ferrero's elderly and their spouses in Alba. Moreover, the medical surgery provided **263 check-ups** for Ferrero's elderly and their

spouses so they could take part in the fitness courses, **52** medical consultations for Ferrero employees and 160 specialist visits by neurologist Leonardo Scarzella.

8 volunteer nurses provided 2,764 blood pressure measurements, 251 intramuscular and subcutaneous injection therapies, 124 electrocardiograms, 209 sugar level readings and 73 medications. In 2015, the infirmary was open 233 days, for a total of 350 hours.

The **podiatry** service provided assistance to **91 people**; **675** have also benefited from the service for



foot pathology treatment. Since September 2014, the medical service has availed itself of the services of osteopath consultant Dr. Michele Dalmasso, who conducted **238 visits**.

The Foundation offers courses in **motor activity**, which was attended in 2015 by 454 people divided into 11 groups of normal motor activities (207 enrolled) and 22 groups of targeted motor activities (247 enrolled). Also, 23 Ferrero working elderly attended the targeted motor activities.

Moreover, in 2015 the Ferrero Foundation promoted the **nordic walking** initiative. There were 107 participants, divided into 6 groups.

The **screening program for the prevention and early diagnosis of macular degeneration associated with old age**, continued in the course of 2015 in collaboration with the *Fondazione per la Macula* of Genoa. In 2015, **134 visits** were carried out. The screening, which began in May 2005, saw the participation of **1,427 Ferrero's elderly** until the end of 2015.

HOME HEALTH AND SOCIAL SERVICES AND BLOOD TEST CENTRE

In June 2013, a **home health and social care service** was launched for the benefit of Ferrero pensioners and their spouses residing in Alba and nearby. The aim is to collaborate with the families and the physician in all cases in which the Ferrero senior

is in need of assistance and medical care at home. This service does not intend to replace the existing ADI - Assistenza Domiciliare Integrata (Integrated Domiciliary Care) provided by the public health service ASL CN2, but to be integrated as domi-



ciliary care activities.

Thanks to the presence of volunteers from the solidarity group and a dedicated vehicle, **the professional nurse visits patients directly in their homes.**

The main services provided are: multidimensional evaluation and creation of a specific patient card, blood samples, subcutaneous and intra-muscular therapy, measurement of vital parameters and sugar levels, medication of bed sores or surgical wounds, electrocardiogram, home delivery of drugs and transport to medical visits and pick up of test results, preparation for surgery intended as the collation of clinical records and documentation on the treatment to follow in the days preceding the

surgery.

Solid collaboration/teamwork is thus created between the medical, nursing and social care services of the Foundation and the family doctor and caregivers.

The presence of a professional nurse also enables us to organize a blood drawing service in the premises of the Foundation (known as the blood tests centre) with the following characteristics:

- daily basis with pre-arranged appointment;
- provided exclusively to Ferrero's elderly and their spouses;
- pick up of test results and possibility of payment of eventual prescriptions by the patient directly at our centre.

IN THE COURSE OF 2015, 582 BLOOD SAMPLES WERE TAKEN AND 399 HOME CARE VISITS WERE CARRIED OUT.

RELIEF DAY

Starting from the month of June 2014, we have been **periodically inviting Ferrero's elderly and their spouses who live alone at home and need assistance or company, to join us at the Foundation**, thus giving their caregivers a few hours of respite and the chance to pursue their own activities. Two Wednesdays a month around twenty elderly people are invited to the Foundation to engage them in occupational therapy activities. These are carried out in the presence of a social worker, a professional nurse and under the supervision of the Foundation's doctors.

This creates a strong collaboration between the kitchen group, the cake

bakers, those serving lunch, the ceramics group, the drivers and the solidarity group.

These days are scheduled twice a month and are structured into an afternoon from 2PM to 5:30PM and into a whole day starting at 11AM and ending at 5:30PM in which everyone has lunch together.

In addition to occupational therapy activities, a snack is served at tea time. These days are generally attended by between 15 and 20 people.

The activity is suspended during the summer period of August.

There were 24 relief days in the year 2015.

THE FERRERO NURSERY “IL NIDO”

The nursery, which opened in the autumn of 2009, continues its activities. The nursery school accommodates **80 infants aged three months to three years, at subsidised conditions for the employees**; a percentage of between 5 and 10% is reserved for the children of Alba, as indicated by the municipality.

IN ALL ITS YEARS OF ACTIVITY, THE FERRERO NURSERY HAS OFFERED A FACILITY FOR CHILDREN, A PLACE FOR COMING TOGETHER, GAINING INFORMATION, TRAINING AND EXCHANGE BETWEEN PARENTS, TEACHERS, CARE OPERATORS, SUPPORT CARE, CREATIVE ACTIONS.



The Ferrero nursery is architectural-ly cutting edge, tailored for children with safe, neat spaces where they can move freely, rest, play and have fun. To enhance the children's development, awareness and knowledge, the nursery aims to avoid, when possible, any form of invasion of individual freedom. In this way, the children can express themselves and move around gaining confidence.

The nursery offers support and expert advice to families by **organizing meetings and promoting discussions on educational themes** dedicated to parenthood and the healthy growth of children.

The different didactic activities take place through workshops on light, painting, handling exercises and music. The outdoor space offers the children

an experience with nature, according to the seasons.

The nursery is equipped with a kitchen that uses fresh, seasonal products. **The Foundation's elderly, in their role of "grandparents", lead various activities with children and parents.** The grandparents give their time, experience, affection and lead certain activities, reading fairy tales and rhymes, small dishes are prepared, decorations are made and the kitchen garden tended.

The Foundation's medical service provides consultancies to the Ferrero Nursery. Monthly meetings are scheduled with the nursery head teacher and visits to the public paediatric surgery ASL CN2 Alba-Bra are coordinated. Examples of these services include medical consultancy for

minor injuries or pathologies that do not require A&E treatment, organization of biannual training seminars for the professional educators and for the nursery staff, supervision of the medication materials used in the infirmary, supervision and collaboration in defining the seasonal menus that undergo inspection by the local health authorities and monitoring through a statistic protocol compiled daily by the staff, which records the annual trend of certain events like minor injuries, absences of children with infectious conditions, and the episodes of feeling poorly in the nursery.

“MICHELE FERRERO” MASTER’S DEGREE IN FOOD SCIENCE AND TECHNOLOGY AND HUMAN NUTRITION

Like in previous years, the Ferrero Foundation in Alba carries forward its interesting collaboration with the University of Torino, thanks to the post graduate second level *“Michele Ferrero” Master in Food Technology and Science and Human Nutrition*.

THE OBJECTIVE IS TO TRAIN SPECIALISTS IN THE TECHNOLOGICAL, MEDICAL, BIOLOGICAL AND CHEMICAL FIELDS WHO CAN BE INCLUDED IN THE PRODUCTION SYSTEM OF A FOOD INDUSTRY OR A RESEARCH AND DEVELOPMENT LABORATORY.

The Master’s didactic offer takes into account the conditionings of the production choices of the food industry deriving from consumers’ new requirements, change in life styles and the effects of globalization on the composition of the population.

Two **grants of 5,000 euro each** are awarded to the students who have gained the degree with the highest grades and a prize for the same amount to the author of the best final thesis.

CYCLE OF MEDICAL CONFERENCES IN 2015

The following medical conferences were organized in the course of 2015:

- **“Assessment and management of myocardial infarction”** – Speaker: Dr. Antonio Dellavalle, Director of the Cardiology Department of the Ospedale San Lazzaro, Alba;
- **“Recent surgical innovations in conditions of the colon and rectum”** – Speaker: Dr. Sebastia-

no Cavalli, Director of the Surgery Department of the Ospedale San Lazzaro, Alba.

The twelfth edition of the **“I quaderni medici della Fondazione”** (The Foundation’s Medical Notes) that includes the various issues tackled in the course of the year.

CONFERENCES AND SEMINARS OF MEDICAL-SCIENTIFIC CHARACTER HOSTED BY THE FOUNDATION

- 24 March 2015: conference of the association "Amici di Robert Johnson" (Friends of Robert Johnson) on "New parenthood";
- 16 May 2015: conference of AIOTG (Italian Association of Traumatology and Orthopaedics) on their "Limits of acceptability in the treatments prescribed to the elderly";
- 5 June 2015: awareness day promoted by LILT (Italian League for the Fight Against Cancer), provincial section of Cuneo, titled "Make up your own tale" for children of primary school;
- 11 and 12 September 2015: conference of the Italian Society of Pathology and Translational Pathology and (SIPMET) titled "Meeting our young scientists";
- 28 September 2015: conference promoted by public health authority ASL CN2 Alba-Bra titled "This unknown country. Reflections and intercultural exchange on the theme of end-of-life care";
- 5, 6 and 7 November 2015: International conference on "Ageing successfully: new horizons";
- 17 November 2015: conference promoted by public health authority ASL CN2 Alba-Bra titled "Follow up in breast cancer" aimed at General Medicine physicians.



TAKING PART IN SCIENTIFIC SEMINARS AND CONFERENCES

- Conference on "Sustainable excellence in the new welfare. Models of top standard response to the needs of non self-sufficient people" (Padova) organized by Censis with the presentation of the report on "successful ageing";
- international conference on "Feeding memory to feed generations: active elders and wellbeing" (Milan) organized by the Università Cattolica of Milan and the EC Pavilion of the EXPO;
- research day: "The role of Nutrition in prevention and treatment" (Rome) organized by the Università Cattolica of Milan with a report by the Foundation presented within the "Interaction between research and industry at the service of the individual", titled "Active aging and successful aging: the Ferrero Foundation as a model of corporate social responsibility";
- conference on "Dietary needs of healthy & frail older people" (Milan) organized by the Università Milano Bicocca and Milan EXPO 2015.

SUCCESSFUL AGEING

For the Ferrero Foundation, ageing well is a concept, a philosophy that combines activities, attitudes, approach to life, relations.

Promoting good health, preventing disease, through medical check-ups and physical activity is undoubtedly one of the first objectives. The majority of people acknowledge that physical exercise and a healthy diet are vital to maintain a good general

condition. But physical performance is only one of the aspects of general wellbeing.

Mental skills, exercised through recreational-creative activities and social interaction, expressed through volunteering and engaging in general productive activities, are at the basis of wellbeing and condition the ageing process.



Ageing well is not just a medical issue. We have entered a new era of health promotion and disease prevention in the elderly. Although medicine maintains its role in ageing well, the element that most characterises it is the fact that the senior citizens can help themselves much more than their doctors can. Keeping the body active, both physically and mentally, feeding it correctly and having an active life, provide an added quality to the retirement years, both in terms of wellbeing and of productivity.

In light of these considerations, the second conference on "Ageing successfully: new horizons" was held in autumn 2015.

This international, bi-annual conference, aims to raise awareness, in a serious and scientific manner, on the issue of ageing, in light of the new social, economic and cultural challenges to favour the creation of a society for all ages, in which young and old have the opportunity to contribute to development, sharing the benefits. **Demographic ageing requires a timely and planned response** to limit its eventual negative effects on the society and economy and to reverse the challenge into an economic opportunity that can offer better prospects to the ageing population, taking into consideration aspects like quality of life, overall health and social welfare.

Along with the development of new medical therapies, the social value of people's health and wellbeing will increase. The methods of prevention and treatment will have to take this into account when defining their development strategies.



CULTURAL PROJECTS

The Ferrero Foundation is increasingly active in its cultural initiatives.

With its study and research initiatives, it plays a leading role in intense training sessions, designed to develop **a network of ideas and shared experiences** in various fields. In coherence with its corporate values, the Ferrero Foundation promotes discussions in favour of an active, creative and responsible culture. In pursuance of its objectives, the Ferrero Foundation supports and favours cultural actions in synergy with foundations, local, national and international agencies and institutions, veritable starting support-

ers of long-lasting projects conceived to benefit the society as a whole.

Every year the Foundation grants **national and international scholarships** to Ferrero's employees' children and to the elderly, to support scientific research and research doctorates. Moreover, it stimulates and funds projects and events that combine science and research, art and culture, economic and social disciplines. In particular, it favours the knowledge of the most important figures in the cultural history of Alba and of the Piedmont region with the aim of also directing our attention beyond national borders.

Felice Casorati. Collections and exhibitions between Europe and the Americas

In autumn 2014, the Foundation inaugurated the exhibition on *Felice Casorati. Collections and Exhibitions between Europe and the Americas*. The exhibition attracted **more than 100 thousand visitors**, marking a record attendance and great success also with children. This meant that groups and associations, middle school and high school students were all able to take part in the learning laboratories.

The works identified for the exhibition were selected from those that Casorati himself chose from his long artistic career, that began in 1907 and ended with his death in 1963, to show in international exhibitions.



Conference cycle

The Ferrero Foundation periodically organizes meetings within the "Conference cycle" events. In 2015 the following conferences were held:

- **Alessandro de Franciscis**, President of the Bureau des Constata-tions Médicales in Lourdes;
- Cardinal **Angelo Scola**, Archbi-shop of Milan;
- **Giacomo Rizzolatti**, neuro-scientist who discovered mirror neurons;
- **Piero Bianucci**, science journa-list and writer;
- **Medical Collaboration Committee**, NGO and non-pro-fit organization with the mission to promote the right to health and guarantees primary health care in low income countries;
- **Stefano Farina**, Italian arbi-tration manager.



With regard to **music events**, the Ferrero Foundation has continued to collaborate with the *Unione musicale di Torino*, a non-profit association founded in 1946, and with *Italy & Usa Alba Music Festival*, an event directed by musicians Giuseppe Nova, Jeffrey Silberschlag and Larry Edward Vote.

The Foundation continues to work on the **corporate magazine "Filodiretto"**, published four times a year and sent to more than 20,000 Ferrero employees and retired employees around the world. The magazine is issued in five languages (English, Italian, German, French and Spanish) and contains reports on the initiatives of the Ferrero Group, its Group's companies and the Foundation.



GOALS FOR THE FUTURE

In autumn 2016, the Ferrero Foundation will dedicate an international exhibition, curated by Ester Coen, to the works of Giacomo Balla (Turin 1871 – Rome 1958), extraordinary painter and fundamental link between Italian art and historic avant-garde.

The exhibition will be articulated in four sections: social realism and the divisionist technique, the pre-futurist period, iridescent permeations and futurism.

In line with the twenty-year experience in art exhibitions, connected to the development of the culture of the territory, the Ferrero Foundation avails itself of the scientific collaboration of the GAM of Torino, custodian of a significant body of works by Gi-

acomo Balla and of the BEAP Superintendence of the Piedmont region. The selection of works chosen by the curator for the exhibition in Alba, proposes a chronological, thematic and stylistic path.

Through a rigorous and selective corpus of works of the highest quality, the exhibition aims to narrate Balla's extraordinary experience, starting from his deep rooted "Piemontese" nature – he was born and trained in Torino – and his profound realism, also of social nature, that is able to assume an international scope and become a point of reference for the international avant-garde in the first decades of the 20th century.

FERRERO'S OPERA SOCIALE IN GERMANY

The Opera Sociale supports former Ferrero employees in **leading an active and healthy life during retirement**. Opera Sociale, which is situated at the German production site in Stadtlendorf, has been offering a holistic program based on three pillars:

MIND **Information and Learning**

Offers in this area encourage to learn new things and deal with current topics also after retiring. For example, one can learn something new in a computer workshop, discover one's creative talent with painting or participate in lectures.

BODY **Fitness and Nutrition**

Sufficient physical exercise and the right nutrition help to keep fit. Hiking and bicycle tours, relaxation and physical exercise, cooking courses and much more encourage former Ferrero employees to do something for their health.

SOUL **Sharing and Social time**

Opera Sociale provides many occasions for both keeping in touch with friends and getting into touch with new people – by having a chat while drinking a cup of coffee, jointly preparing an Opera Sociale event or, for example, playing boccia together.





Many former employees use Opera Sociale's offer and appreciate it not least because they also make their own contribution. In FY 2014/2015, **79% of retirees participated in at least one of the 339 events offered; the total number of visits was 5,510.** These numbers show that Ferrero retirees build a strong community after the end of their working life as well. A community that also helps others. Here below are reported some examples:

Give children time: Reading stories

Reading and reading aloud together joins the generations, **improves concentration and enhances the children's potentials.** In the "Bookworm" group, former Ferrero employees act as reading mentors for grandchildren, elementary and nursery school children in Stadtallendorf.



Learn where food comes from: Sowing, tending, harvesting

Young and old sow plants, tend them and finally harvest what has grown. The children thus gain a hands-on experience on how fruits and vegetables grow. In cooperation with a Stadtallendorf nursery school, a herb spiral has been created on the

Opera Sociale site, which will be enhanced by a small vegetable garden for children. A project which also bears fruit in other ways: in cooperation with a local elementary school, **the retirees pass on their "green knowledge" to the students.**

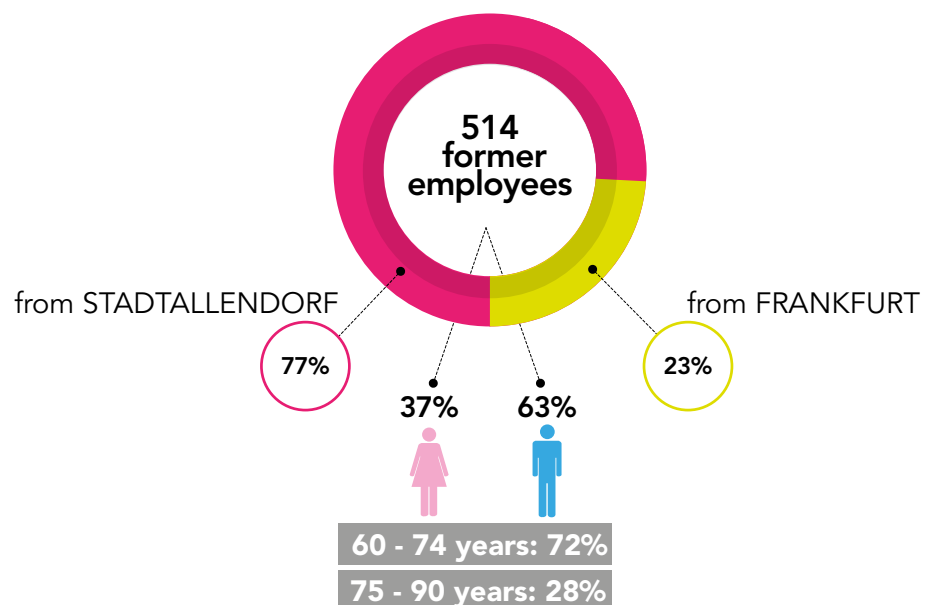
Living history: Ancient Rome at Opera Sociale

An interactive museum installation of the KINDER® und Jugendmuseum Nürnberg (Nuremberg museum for children and young people) gives children **the opportunity to get an authentic impression of Ancient Rome**. Former Ferrero employees accompany them, thus supporting the cooperation with the museum which had been initiated last year with a cocoa exhibition.

Spreading sustainability topics: Cooperation with local organizations

Since 2013, Opera Sociale **brings sustainability topics of the company beyond the borders of the plant into the community**: together with the Volkshochschule adult education center of the Marburg-Biedenkopf district and the city of Stadtallendorf, event series on sustainability topics will be organized for senior citizens from Stadtallendorf and the surrounding area. In FY 2014/2015, health was in the focus. Lectures and excursions illustrated this topic from many perspectives in order to raise the participants' awareness for a healthy lifestyle – some events were open to their grandchildren as well.

FERRERO'S GERMAN OPERA SOCIALE IN NUMBERS (as of 31st August 2015):



79.1% have taken part in at least one of Opera Sociale's activities

Of them:

retired employees from
STADTALLENDORF: 82.4%

retired employees from
FRANKFURT: 65.2%

FERRERO'S OPERA SOCIALE IN FRANCE

The GIS (*Groupe d'Initiatives et de Solidarité* – Solidarity Initiatives Group) is an association created in 2005, which groups the retired employees of Ferrero France and their spouses, who can become “associate members” on their request. As of 2015, there are **149 former employees (70 men and 79 women)**: 24 sales personnel retirees, 36 retirees of the Mont-Saint-Aignan plant and 89 retirees from the plant in Villers-Écalles. **There are 75 associate members** (25 husbands and 50 wives).



The objective of the GIS is to accompany Ferrero France's former employees in their new life as retirees, to maintain a bond of friendship and solidarity with the company and between themselves. For this purpose, a space has been set up in the plant in Villers-Écalles, to offer GIS members a dedicated meeting place within the company premises. In the course of 2015, **72 former employees took part in at least one activity of the Opera Sociale.**

The activities of the GIS are structured into 4 pillars:

SOCIAL to maintain contact with the company and its former employees

A group of between 30 to 40 members meets every Tuesday in the GIS premises in Villers-Écalles, to share moments of conviviality. The more sport-oriented members take advantage of these meetings to go jogging. Moreover, the members of the GIS are invited to the annual Ferrero France Christmas lunch.

CULTURE
organization of
cultural outings to
stimulate curiosity

In the course of 2015, 21 cultural appointments were organized (and for the first time a cruise in Norway). These activities stimulate curiosity and enrich the culture of those who take part in the GIS life.

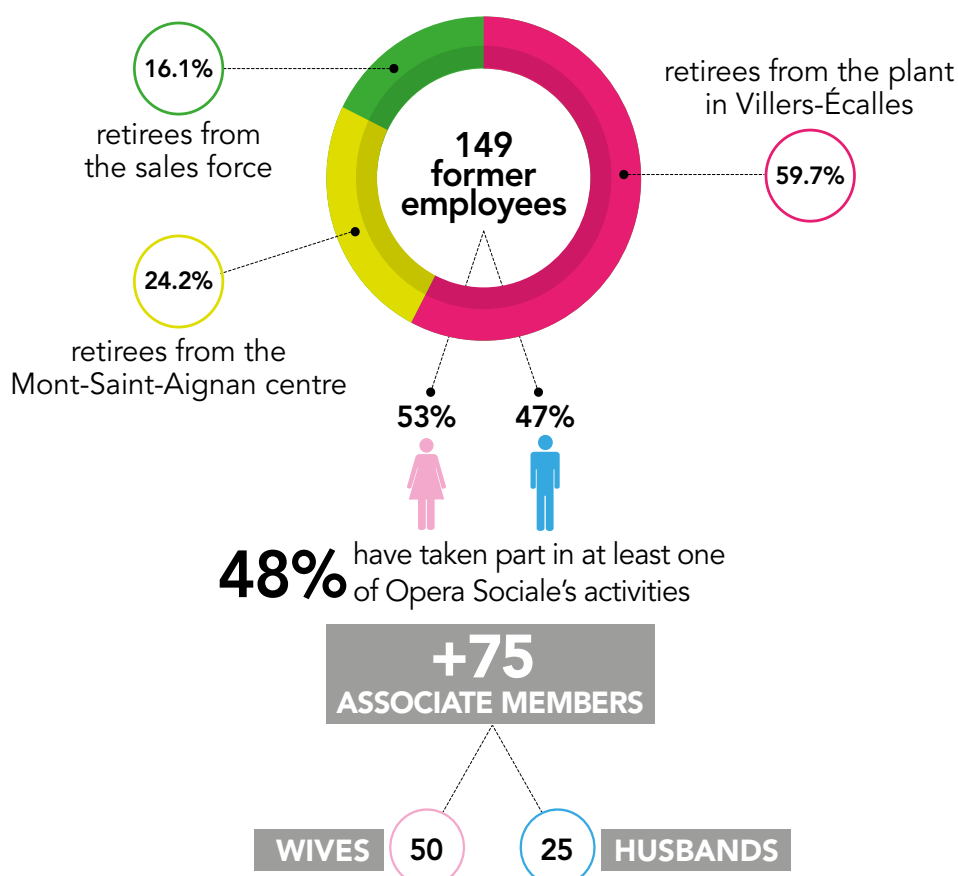
HEALTH
keeping physically
and intellectually fit

For the purpose of maintaining and improving the physical conditions of the GIS members, excursions and trekking activities are organized regularly. Likewise, the GIS members can take part in games to stimulate intellectual vitality and memory.

SOLIDARITY
taking part in events
with local and na-
tional associations

In the course of 2015, five solidarity partnerships with local organizations were established (6 in 2014), specially involving associations dedicated to children. Intergenerational exchange and dialogue is promoted through meetings between members of the GIS and the children that are involved in the partner organizations.

FERRERO'S FRENCH OPERA SOCIALE IN NUMBERS (as of 31st December 2015):

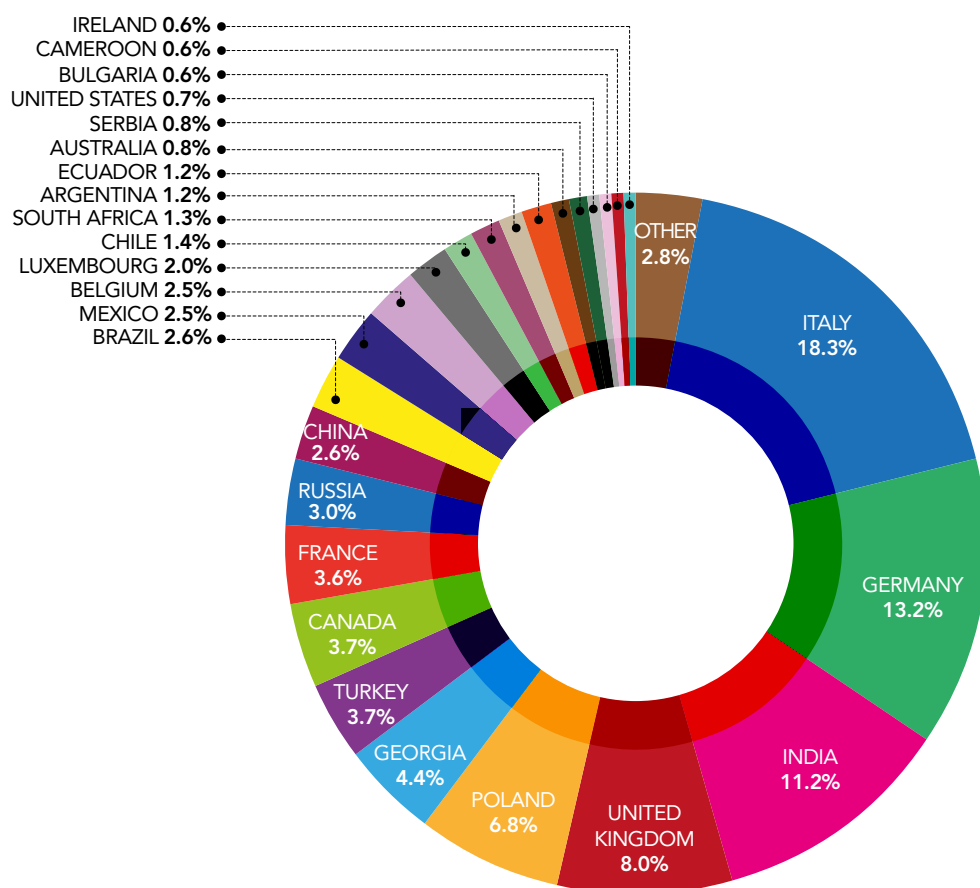


FERRERO WOMEN AND MEN

As of 31st August 2015, the number of Ferrero collaborators was **40,721**, with an increase of 19% compared to 31st August 2014 (34,236).

This number comprises **33,219 employees** plus 26 employees of Ferrero Industrial Services G.E.I.E and the Fondazione Piera, Pietro e Giovanni Ferrero, for a total of **33,245 employees**¹⁰. In addition, there are **7,476 external collaborators** working for the companies of the Group¹¹ (prevalently temporary workers and sales representatives¹²).

INTERNAL AND EXTERNAL COLLABORATORS OF THE FERRERO GROUP AS OF 31st AUGUST 2015 DIVIDED BY COUNTRY



10. The total of **33,245** employees at 31st August 2015 includes **4,317** people employed by the companies acquired in the course of FY 2014/2015: **3,074** working at Thorntons Plc and **1,243** at Oltan Group. The detailed data reported in this section is relative to the personnel as of 31st August 2015 that does not include the data of Thorntons Plc and Oltan Group, for a total of **28,928** employees.

11. This also includes external resources working for Ferrero Industrial Services G.E.I.E and Fondazione Piera, Pietro e Giovanni Ferrero.

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

COUNTRY	AS OF 31 st AUGUST 2015	
	N. EMPLOYEES	%
Italy	7,439	18.3%
Germany	5,369	13.2%
India	4,560	11.2%
United Kingdom	3,239	8.0%
Poland	2,777	6.8%
Georgia	1,805	4.4%
Turkey	1,504	3.7%
Canada	1,489	3.7%
France	1,452	3.6%
Russia	1,230	3.0%
China	1,065	2.6%
Brazil	1,046	2.6%
Mexico	1,010	2.5%
Belgium	1,009	2.5%
Luxembourg	829	2.0%
Chile	555	1.4%
South Africa	548	1.3%
Ecuador	486	1.2%
Argentina	483	1.2%
Australia	331	0.8%
Serbia	312	0.8%
United States	298	0.7%
Cameroon	250	0.6%
Bulgaria	248	0.6%
Ireland	237	0.6%
Others	1,150	2.8%
TOTAL	40,721	100%

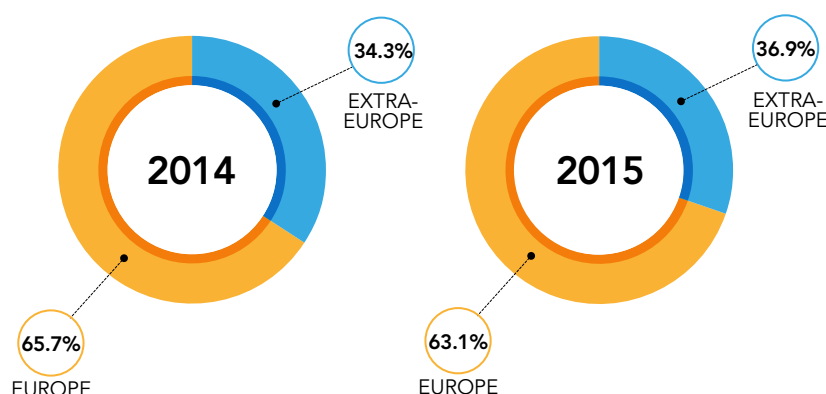
As of 31st August 2015, the Ferrero Group is composed of **employees of 104 different nationalities**.

In particular, compared to the previous year, there has been an increase in the number of employees in Georgia, China and Serbia.

CONSTANT EXPANSION IN THE WORLD

Though maintaining a strong presence of its own personnel and its activities in Europe¹³, the Ferrero Group continues to **increase its extra-European presence (from 34.3% on 31st August 2014 to 36.9% on 31st August 2015), with an increased percentage of 2.6.**

EXACT WORKFORCE OF THE GROUP AS OF 31st AUGUST BY GEOGRAPHIC AREA



FERRERO PEOPLE IN NUMBERS

EXACT WORKFORCE OF THE GROUP AS OF 31st AUGUST*

N. EMPLOYEES	AS OF 31/08/2014	AS OF 31/08/2015
TOTAL	27,485	28,928
of which women	43.3%	42.4%

* The current workforce consists of personnel directly employed by Ferrero as of August 31st, including employees of Ferrero Industrial Services G.E.I.E and the Fondazione Piera, Pietro e Giovanni Ferrero, with the exception of Thorntons Plc and Oltan Group.

The current workforce as of 31st August 2015 has increased compared to the previous year and within the same perimeter, with particular reference to temporary and seasonal contracts in the production sector. However, **a positive growth trend in permanent contracts is observed.**

The particular nature of Ferrero's prevalently chocolate based products strongly conditions market performance, in which we see peaks in particular periods of the year and in feast days. This results in 70% of the production being concentrated in 7/8 months a year (autumn-winter

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

season), making it necessary for Ferrero to use temporary, seasonal contracts.

The **average workforce** in FY 2014/2015 was equal to **25,784¹⁴**, plus the average workforce of Ferrero Industrial Services G.E.I.E and the Fondazione Piera, Pietro e Giovanni Ferrero, for a total of **25,811**, means a 3% increase compared to FY 2013/2014 (24,864). A further **6,517 are added to the total**, who work with the Group's companies¹⁵ (prevalently as temporary workers and sales representative¹⁶).

GROUP WORKFORCE BY TYPE OF CONTRACT

TYPE OF CONTRACT	AS OF 31/08/2014		AS OF 31/08/2015	
	N. EMPLOYEES	%	N. EMPLOYEES	%
Temporary	7,370	26.8%	8,164	28.2%
Permanent	20,115	73.2%	20,764	71.8%
TOTAL	27,485	100%	28,928	100%

PART-TIME/FULL-TIME	AS OF 31/08/2014		AS OF 31/08/2015	
	%		%	
Part-time	6.2%		3.7%	
Full-time	93.8%		96.3%	

It is useful to add that in Italy it is common to use vertical part-time contracts for the duration of 8 months a year, which allows companies to balance seasonal corporate needs with employees' extra-work needs.

GROUP WORKFORCE BY CATEGORY

EMPLOYEE CATEGORY	AS OF 31/08/2014		AS OF 31/08/2015	
	N. EMPLOYEES	%	N. EMPLOYEES	%
Blue collar	16,121	58.7%	17,407	60.2%
White collar	8,374	30.5%	8,508	29.4%
Middle manager	2,109	7.7%	2,127	7.3%
Senior manager	881	3.2%	886	3.1%
TOTAL	27,485	100%	28,928	100%

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

15. This also includes external personnel who work for Ferrero Industrial Services G.E.I.E and the Fondazione Piera, Pietro e Giovanni Ferrero.

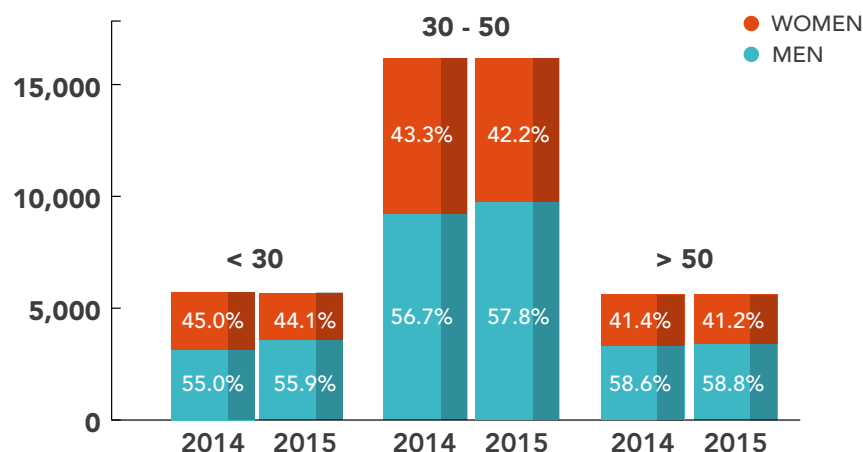
16. This also includes training internships and other forms of direct collaboration, with the exception of service contracts.

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 31st AUGUST



GROUP WORKFORCE BY AGE

AGE RANGES	AS OF 31/08/2014	AS OF 31/08/2015
	%	%
< 30	20.7%	21.0%
30 - 50	58.9%	58.0%
> 50	20.4%	21.0%
TOTAL	27,485	28,928

Due to the increasing average age of the personnel, there has been a rise in the over-50 bracket.

GROUP WORKFORCE BY AGE AND CATEGORY

EMPLOYEE CATEGORY	AS OF 31/08/2015		
	< 30	30-50	> 50
Blue collar	14.2%	31.3%	14.7%
White collar	6.5%	19.3%	3.6%
Middle manager	0.4%	5.5%	1.5%
Senior manager	0.0%	1.9%	1.2%
TOTAL	21.0%	58.0%	21.0%

The Committees described in the paragraph titled "Organizational and governance structure of the Group" are formed by 21 members of which 43% belong to the "over 60" group, 33% to the "51 to 60" group and 24% to the "40 to 50" group. In said Committees, the female presence corresponds to the President 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 31st AUGUST

	2014			2015		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
	N. EMPLOYEES	%	%	N. EMPLOYEES	%	%
Geographic area						
Europe	18,064	57.7%	42.3%	18,249	58.0%	42.0%
Extra Europe	9,421	54.9%	45.1%	10,679	57.0%	43.0%
Category						
Blue Collar	16,121	53.0%	47.0%	17,407	54.9%	45.1%
White collar	8,374	57.8%	42.2%	8,508	57.3%	42.7%
Middle manager	2,109	68.5%	31.5%	2,127	69.2%	30.8%
Senior manager	881	86.6%	13.4%	886	85.8%	14.2%
Type of contract						
Permanent contract	20,115	60.7%	39.3%	20,764	61.2%	38.8%
Temporary contract	7,370	45.9%	54.1%	8,164	48.7%	51.3%
Part-time/Full-time						
Part-time	1,715	19.5%	80.5%	1,066	20.3%	79.7%
Full-time	25,770	59.2%	40.8%	27,862	59.1%	40.9%
Total workforce	27,485	56.7%	43.3%	28,928	57.6%	42.4%

GROUP WORKFORCE ON PERMANENT CONTRACTS BY PROFESSIONAL CATEGORY AND GENDER AS OF 31st AUGUST

EMPLOYEE CATEGORY	2014			2015		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
	N. EMPLOYEES	%	%	N. EMPLOYEES	%	%
Blue collar	10,106	58.3%	41.7%	10,595	59.5%	40.5%
White collar	7,081	58.5%	41.5%	7,209	58.2%	41.8%
Middle manager	2,060	68.9%	31.1%	2,084	69.6%	30.4%
Senior manager	868	86.8%	13.2%	876	86.0%	14.0%
TOTAL	20,115	60.7%	39.3%	20,764	61.2%	38.8%

PERSONNEL TURNOVER

The following tables show the figures relative to the male and female turnover¹⁷ 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.

It should be noted that in the course of FY 2014/2015 the Ferrero Group recruited **3,084** new employees¹⁸, of whom **1,829** are men (59.3%) and **1,255** are women (40.7%).



OUTGOING AND INCOMING TURNOVER BY AGE – EUROPE

FY 2013/2014						
EUROPE	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	73	97	170	254	265	519
30 - 50	138	123	261	179	208	387
> 50	95	84	179	25	20	45
TOTAL	306	304	610	458	493	951
%	4.00%	2.92%	3.38%	5.99%	4.73%	5.26%
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
TOTAL	372	450	822	344	401	745
%	6.12%	4.68%	5.24%	5.66%	4.17%	4.75%

17. The entry and exit turnover percentage relative to FY 2014/2015 was calculated coherently with the new internal methodology that uses the annual average headcount instead of the headcount at 31st August, used for calculating the annual turnover for FY 2013/2014.

18. This figure does not include the acquisition of Thorntons Plc and Oltan Group.

OUTGOING AND INCOMING TURNOVER BY AGE – EXTRA EUROPE

FY 2013/2014						
EXTRA EUROPE	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	293	324	617	684	748	1,432
30 - 50	328	403	731	503	602	1,105
> 50	52	52	104	26	36	62
TOTAL	673	779	1,452	1,213	1,386	2,599
%	15.85%	15.05%	15.41%	28.57%	26.78%	27.59%
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
TOTAL	732	942	1,674	911	1,428	2,339
%	19.20%	20.66%	19.99%	23.89%	31.32%	27.93%

OUTGOING AND INCOMING TURNOVER BY AGE – WITHIN THE GROUP

FY 2013/2014						
GROUP	EXIT TURNOVER			ENTRY TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	366	421	787	938	1,013	1,951
30 - 50	466	526	992	682	810	1,492
> 50	147	136	283	51	56	107
TOTAL	979	1,083	2,062	1,671	1,879	3,550
%	8.23%	6.95%	7.50%	14.05%	12.05%	12.92%
FY 2014/2015						
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
TOTAL	1,104	1,392	2,496	1,255	1,829	3,084
%	11.16%	9.82%	10.37%	12.69%	12.90%	12.81%

PARENTAL LEAVE

The data relative to the return to work, after a period of parental leave, refers to a sample of six countries.

PARENTAL LEAVE BY GENDER IN FY 2014/2015 AND RELATIVE STATUS AS OF 31/08/2015

ITALY	FY 2014/2015		
	MEN	WOMEN	TOTAL
Employees who have taken parental leave*	6	57	63
Status as of 31/08/2015			
Employees back in service after parental leave	4	5	9
Employees on parental leave	2	52	54
Employees who have left the Group after taking parental leave	-	-	-
TOTAL	6	57	63

LUXEMBOURG	FY 2014/2015		
	MEN	WOMEN	TOTAL
Employees who have taken parental leave*	-	6	6
Status as of 31/08/2015			
Employees back in service after parental leave	-	2	2
Employees on parental leave	-	4	4
Employees who have left the Group after taking parental leave	-	-	-
TOTAL	-	6	6

GERMANY	FY 2014/2015		
	MEN	WOMEN	TOTAL
Employees who have taken parental leave*	1	29	30
Status as of 31/08/2015			
Employees back in service after parental leave	1	1	2
Employees on parental leave	-	27	27
Employees who have left the Group after taking parental leave	-	1	1
TOTAL	1	29	30

FRANCE	FY 2014/2015		
	UOMINI	DONNE	TOTALE
Employees who have taken parental leave*	-	19	19
Status as of 31/08/2015			
Employees back in service after parental leave	-	12	12
Employees on parental leave	-	7	7
Employees who have left the Group after taking parental	-	-	-
TOTAL	-	19	19

SPAIN	FY 2014/2015		
	MEN	WOMEN	TOTAL
Employees who have taken parental leave*	-	4	4
Status as of 31/08/2015			
Employees back in service after parental leave	-	4	4
Employees on parental leave	-	-	-
Employees who have left the Group after taking parental	-	-	-
TOTAL	-	4	4

BRAZIL	FY 2014/2015		
	MEN	WOMEN	TOTAL
Employees who have taken parental leave*	-	16	16
Status as of 31/08/2015			
Employees back in service after parental leave	-	7	7
Employees on parental leave	-	5	5
Employees who have left the Group after taking parental	-	4	4
TOTAL	-	16	16

* The data considers the employees who have taken parental leave from 1st September 2014 to 31st August 2015 for a period of at least per 2 months.

ABSENTEEISM RATE

As stated in the previous reports, the table hereunder shows the absenteeism rate of the blue collars working at the Group's plants, with the exception of Michele Ferrero Entrepreneurial Project.

BLUE COLLAR ABSENTEEISM IN FY 2014/2015

PLANT	ABSENTEEISM RATE IN FY 2014/2015
Alba	4.22%
Arlon	6.30%
Balvano	4.80%
Belsk Duży	3.68%
Brantford	3.50%
Cork	5.20%
La Pastora	7.10%
Lithgow	3.80%
Manisa	4.00%
Poços de Caldas	3.50%
Pozzuolo Martesana	6.20%
Quito	3.60%
S. Angelo dei Lombardi	5.30%
S. José Iturbide	0.30%
Stadtallendorf	6.72%
Villers-Écalles	5.50%
Vladimir	2.70%

The absenteeism rate is calculated by comparing the hours of absence for sick leave and injuries on the total working hours of the period in consideration.

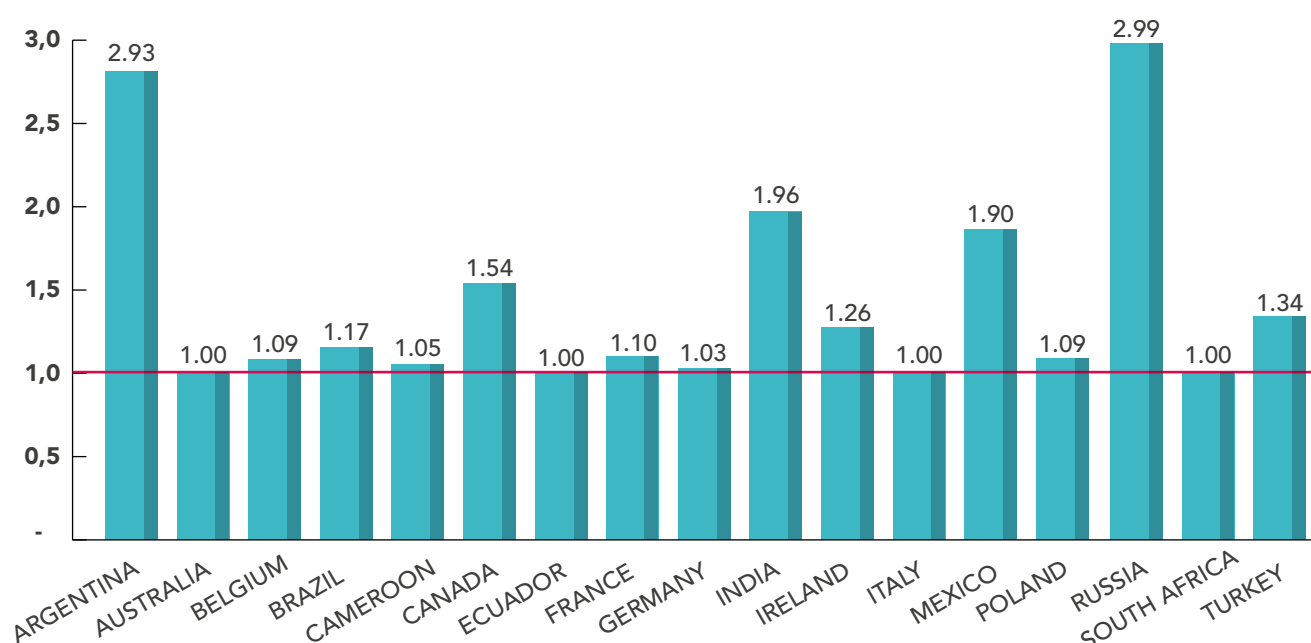
REMUNERATION

Ferrero respects the salary standards established by the law and by the eventual national collective agreements throughout the Group. Furthermore, **supplementary agreements have been undertaken, aimed at defining the higher level remunerations**, or rather performance bonuses for objectives accomplished and local practices.

The chart below shows Ferrero's minimum wages in accordance with the laws of the single countries in which Ferrero has its plants, in FY 2014/2015¹⁹.

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

**RATIO BETWEEN BASE SALARY OF NEWLY HIRED WORKERS
AND THE LEGAL MINIMUM IN FY 2014/2015***



* The basic salary is represented by the annual gross remuneration of a newly hired production operator. The datum does not take into account overtime pay, performance bonuses or individual bonuses. A rate of 1 indicates the correspondence of the remuneration paid by Ferrero and with the legal minimum pay.

The table hereunder shows the comparison²⁰ between the average wage of the male and female employees, relatively to some of the main countries in which the Group operates. With the aid of the data collection system at Group level, we are able to provide said data relatively to a sample of countries.

20. 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.



AVERAGE WAGE RATIO BY GENDER AND CATEGORY

EMPLOYEE CATEGORY	COMPARISON OF WAGES FOR WOMEN VS. MEN 31/08/2014	COMPARISON OF WAGES FOR WOMEN VS. MEN 31/08/2015
Italy		
Blue collar	92.4	92.4
White collar	95.4	94.9
Middle manager	93.9	95.2
Senior manager	72.4	74.5
Germany		
Blue collar	79.1	79.7
White collar	84.5	84.5
Middle manager	85.8	86.4
Senior manager	92.7	92.1
France		
Blue collar	90.8	90.2
White collar	100.4	100.8
Middle manager	90.2	91.4
Senior manager	102.7	117.0
Poland		
Blue collar	68.9	71.7
White collar	93.6	96.1
Middle manager	94.6	98.2
Senior manager	65.5	68.1
Ireland		
Blue collar	90.8	89.3
White collar	78.0	74.9
Middle manager	70.5	72.4
Senior manager	-	-

EMPLOYEE CATEGORY	COMPARISON OF WAGES FOR WOMEN VS. MEN 31/08/2014	COMPARISON OF WAGES FOR WOMEN VS. MEN 31/08/2015
Canada		
Blue collar	87.7	87.2
White collar	88.2	88.9
Middle manager	99.9	106.2
Senior manager	73.6	112.0
USA		
Blue collar*	92.4	93.3
White collar	79.3	83.2
Middle manager	97.5	95.6
Senior manager	68.2	78.1
Russia		
Blue collar	78.0	76.7
White collar	112.1	114.5
Middle manager	99.8	105.0
Senior manager	79.2	68.9
Belgium		
Blue collar	92.6	92.8
White collar	93.9	96.8
Middle manager	78.2	77.1
Senior manager	-	65.1
Mexico		
Blue collar	n.a.	81.6
White collar	n.a.	91.9
Middle manager	n.a.	80.5
Senior manager	n.a.	-

* This refers to the workers hired to work in the US packing centre.

On average, there is a **positive trend in the men/women wage comparison**. In the average data above, some situations of disparity have been determined by the greater number of men hired in the previous decades which currently determines a higher level of seniority and consequently a higher average wage, which is particularly evident amongst the senior managers.

It should also be highlighted that in some countries of more reduced dimensions, the transfer of even just one resource (among the more senior resources) may determine a significant variation in the comparison.

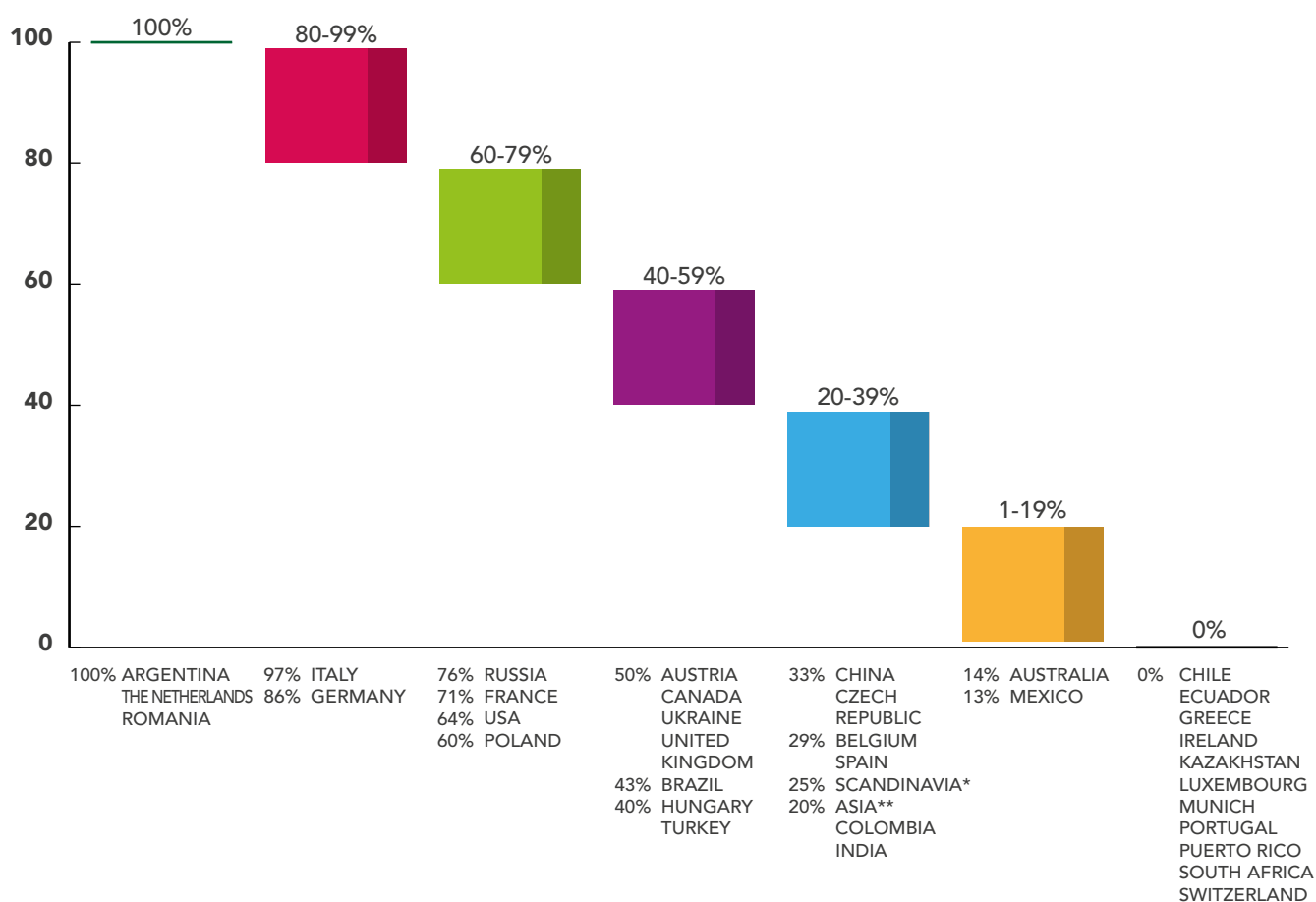


LOCAL RECRUITMENT

FERRERO IS COMMITTED TO INCREASE, WHENEVER POSSIBLE, THE PERCENTAGE OF SENIOR MANAGERS HIRED LOCALLY IN ALL THE COUNTRIES WHERE THE GROUP OPERATES.

The tables below show the percentage of locally recruited senior managers, or rather nationals of the country in which they are hired. This refers to the 886 senior managers of the Group. One must consider that, in some smaller countries, the presence of senior managers does not exceed 1 or 2 units. The countries not included herein have no senior managers.

PERCENTAGE OF LOCALLY HIRED SENIOR MANAGERS AS OF 31/08/2015



* 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 case of significant operational changes, conforms to the national or regional collective agreements, which establish it as ranging from a minimum of 15 days to a maximum of 6 months.

During FY 2014/2015, no strikes were held against the Group, in any of the Ferrero plants.

EWC (European Works Council) activities in 2015

For the Ferrero EWC, the year 2015 was characterised by the important consolidation of activities and significant innovation.

The customary joint training seminar was held in the month of April in Wroclaw (Poland) on the theme: **"The challenges of new markets: between global competition and social rights"**. The issues of economic crisis and global competition offered the opportunity to examine in depth the challenges that Ferrero faces in various markets, particularly in those recently penetrated like China, but also the social and ethical implications that these challenges represent for the safeguard of the workforce and sustainable development policies.

The **Health and Safety Laboratory** has in the course of the year launched its implementation phase with the first meeting of the work group and the definition of the first work objectives: the launch in 2016 of a campaign to motivate working men and women on issues of prevention and start a discussion on the contents and tools for exchanging best practices for health and safety measures.

EURONOTES, EWC's newsletter, published two issues that were distributed to the workers of all Ferrero's plants and centres of activities in Europe; issue n. 14 of March 2015 was entirely dedicated to the issue of health and safety on the workplace and the launch of the Laboratory, the following 15, published in December, gave an account of the renewal of the EWC Ferrero function agreement signed on 7 October in Marche en Famenne (Belgium) at the committee's annual institutional meeting. The agreement concerns about 18,000 workers (equal to more than 60% of the Group's workers) involving blue collars, white collars of the commercial network and of the production plants situated in Italy, Germany, Belgium, France, Poland and Ireland. The new agreement, that updates that of 2011, contains and consolidates ongoing practices; the most significant are: the construction of the Lab-

oratorio Salute e Sicurezza e Responsabilità Sociale d'Impresa, (Health & Safety and Corporate Social Responsibility Laboratory): local training - connected to the EWC activities - of the representatives of the workers in the single countries and the establishment of EWC coordination formed by the Secretary, the Laboratory coordinator and the communications officer. This new restricted body for social dialogue with the management will periodically meet to establish the EWC's agenda and to coordinate the management of future training activities, of the Laboratory and of communications.

The institutional meeting in October was also an opportunity to renew the posts of President and of Secretary of the EWC, as well as appoint the Laboratory's coordinator and communications officer.

Also in this meeting, it was decided to celebrate **twenty years of activity of the EWC Ferrero** in the course of 2016.



COVERAGE OF THE ORGANIZATION'S DEFINED BENEFIT PLAN OBLIGATIONS

The Group establishes defined contribution pension plans for all the employees of its companies.

If an employee terminates his/her services before having completed his/her contribution plan, the contributions payable by the Group are reduced according to the proportional contributions paid. The only obligations of the Group, relative to pension plans, is to pay out the contributions matured.

Some groups of employees receive a severance pay or liquidation in accordance with the laws applied by the single countries in which the Group operates. The pension benefits to which the employee is entitled is determined on the basis of actuarial evaluations and covered through specific funds and allocations entered in the balance.

The amounts due to the employees are determined at the end of the year and represent the current value of the Group's debts towards its employees, net of the paid advances.



HEALTH AND SAFETY PROTECTION

THE SAFEGUARD OF HEALTH AND SAFETY IN THE WORKPLACE IS A CENTRAL VALUE TO THE FERRERO SYSTEM. CONSEQUENTLY, THE GROUP ENDEAVOURS TO SAFEGUARD THE HEALTH AND SAFETY OF ITS EMPLOYEES, CONTRACTORS, VISITORS AND ANY OTHER PERSON WITHIN ITS SPHERE OF INFLUENCE.

Ferrero recognises the importance of encouraging and supporting a solid and effective culture of safety in its plants. Through adequate training initiatives,

involvement and sensitization, every person involved must take ownership of the initiatives aimed at improving the health and safety conditions in its organization. Furthermore, Ferrero encourages safe and healthy behaviour also in private life, at home and during spare time.

Ferrero's activities must respect all the requisites defined by the laws applied in the countries in which it operates, as well as the even more restrictive requisites it has defined or endorsed. The identification of constraints, risks assessment and control are taken into consideration from the initial design of the plants, in the processes and in the work context, which are constantly updated.

In the course of FY 2014/2015, Ferrero continued its endeavours to **co-ordinate and share best practices in health and safety in the workplace**, which included the creation of a network of experts, provided with a shared technological platform. This initiative has positively contributed to the Group's performance level.

The tables below refer to accidents leading to more than 3 days of recovery for the employees in the production plants of the Group, with the exception of Michele Ferrero Entrepreneurial Project, which occurred during working hours or on the way to/from the workplace.

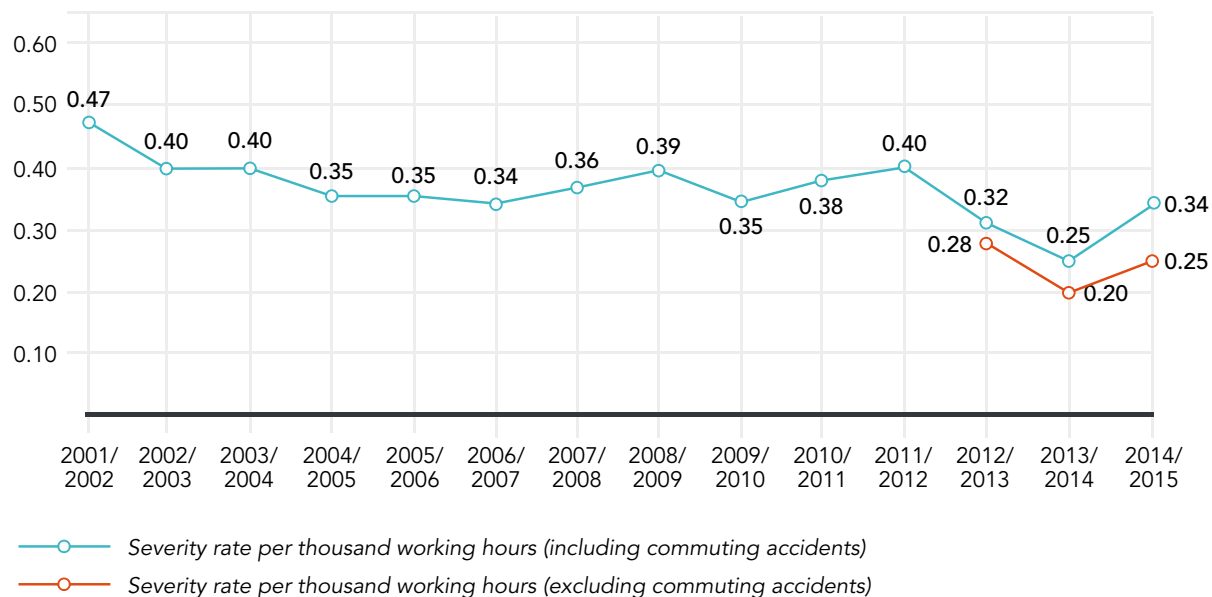
FERRERO GROUP (PRODUCTION) SAFETY PERFORMANCE

	FISCAL 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
Frequency index per million hours worked														
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
Excluding commuting accidents												13.74	10.44	9.36
Gravity index per thousand hours worked														
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
Excluding commuting accidents												0.28	0.20	0.25

GROUP ACCIDENT FREQUENCY RATE



GROUP ACCIDENT SEVERITY RATE



Accidents trend



Statistics regarding the trend in accidents occurring within the considered perimeter are positive. The index of accidents occurring during the working activities of the Ferrero employees working in the production plants has decreased from 10.44 injuries per million hours worked, to 9.36 (-10%). The gravity index, that measures the days lost for every thousand hours worked, on the contrary, has increased from 0.20 to 0.25 (+25%). In the medium term, the frequency index has significantly decreased (-34% in three years considering the totality of accidents, -32% in just two years, considering only the accidents occurring during working hours), whilst the same cannot be

said of the gravity index which, after two years of decrease, rises again, considering the total number of accidents and the accidents occurring during working hours.

If one considers the geographic areas, a reduction in number of accidents during working hours has been found, albeit with some differences, both in Europe²¹ (-9% of the regional frequency index) and outside Europe (-15%). With regard to the gravity of the accidents occurring during working hours, in both geographic areas, there is instead an increase in accidents (+17% in Europe +63% extra Europe).

INDEX OF ACCIDENT FREQUENCY AND GRAVITY OF THE GROUP BY GEOGRAPHIC AREA

FISCAL YEAR		2013/2014	2014/2015
Frequency index			
Including commuting accidents	Europe	7.24	8.70
	Extra Europe	6.60	5.52
Excluding commuting accidents	Europe	11.80	10.75
	Extra Europe	5.91	5.05
Gravity index			
Including commuting accidents	Europe	0.30	0.38
	Extra Europe	0.11	0.21
Excluding commuting accidents	Europe	0.24	0.28
	Extra Europe	0.08	0.13

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

In the course of FY 2014/2015 and considering the perimeter in consideration, no accidents with fatal consequences have been recorded.

Health safeguard

With regards to health issues, new initiatives and activities have been launched to make the workplace increasingly safe for the employees' health. These initiatives include:

- the general supply of semi-automatic defibrillator with personnel trained for their use to all production plants;
- the plant in Stadtallendorf, Germany, launched a programme with the support of an external expert, aimed at introducing physical wellness practices (e.g. stretching) before starting a work shift;
- the plant in Manisa, Turkey, launched various initiatives connected to maintaining a healthy life style, smoking, personal hygiene;
- the plant in Quito launched a campaign for the prevention of AIDS.

Health and safety training

Starting from FY 2014/2015 a systematic data collection and safety indicator process was launched in all production plants, which includes the implementation of training activities at each plant on health and safety in the workplace. Ferrero in fact considers training activities an essential instrument of prevention, not only relative to risk awareness, but also to risk management. Although the criteria are not perfectly homogenous and the data is still partial (relative to 14 plants), it is possible to estimate

that **more than 9,700 collaborators were involved in courses dedicated to health and safety**, totalling to more than **68,000 hours of training**, with an **average of about 4.7 hours per capita per year**.

The main themes are: safety with respect to the role carried out, specific risks (e.g. risks connected to electricity, confined spaces, use of equipment and machinery, driving elevator trucks) and emergency situations (first aid and fire fighting).

Involvement: a week dedicated to safety

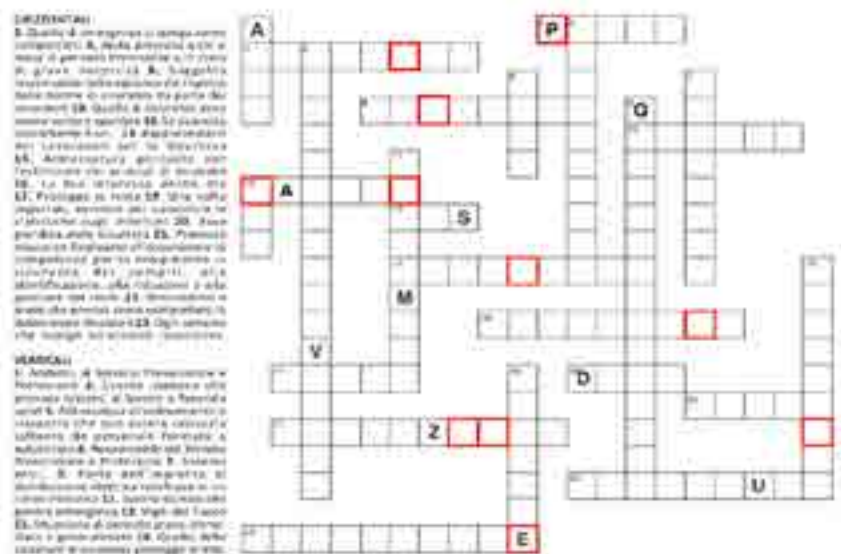
Also in the course of FY 2014/2015, the personnel operating in Italy was involved in initiatives aimed at promoting and supporting a safety culture.



In particular, the Safety Commission of the plant in Alba sponsored a veritable communications campaign led by the motto: "Your safety is also my concern", culminating in colleagues expressing their own ideas and opinions on safety in front of a camera. About 200 colleagues participated and the different contributions were combined in a video that was shown on the television network of the production departments and on the corporate internet.



Similarly, the plants in Balvano and S. Angelo dei Lombardi jointly organized an award winning competition for the solution of the "Safety crossword puzzle", which attracted much interest and participation.



TRAINING

In FY 2014/2015, the Ferrero Learning Lab underwent a complete restructuring phase from both an organizational and training service perspective.

The new function, renamed *Ferrero University*, is placed, from an organizational perspective, in the Group's Talent management, with the mission to **develop training initiatives of global interest in support of the business and its challenges**, as defined in the medium term corporate strategic plan. Moreover, it is

the point of reference for the local functions regarding guidelines, best practices and the operating model for corporate training processes.

The organizational structure of the Ferrero University consists of 4 learning pillars defined as:

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



Welcome to Ferrero Pillar: creates training programmes oriented towards **training employees during the typical phases of joining the company** (*onboarding*). This moment should not, however, be intended only in the "new recruit" phase; in fact, one can speak of "entry" in all those moments in which change must be managed, whether it be of position, function, job or career.



The main programmes proposed within this pillar are:

- **"Ferrerità"** - for all newly recruited employees of the Group;
- **"Ferrero New Graduates Programme"** - for all newly recruited and freshly graduated employees;
- **"Group Induction Programme"** - for employees who hold strategic, key positions in the corporation;
- **"On Boarding Policy"** - policies 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.

Ferrero Leaders Pillar: designs and provides training programmes for the Group oriented at **training employees holding management positions** and at creating a solid leadership profile.

An example of programmes connected to this pillar is the **"Master in International Management"** which is being designed in collaboration with the Business school SDA Bocconi, for middle managers to embark on an international career.

Ferrero Know How Academies: runs **specific academies for the different corporate functions which are characterised by the Group's distinctive know-how**; safeguarding and disseminating it to the different professional families through training programmes aimed at transferring and maximising the knowledge of Ferrero craft. The responsibility of the Academies is attributed to the different corporate functions, supported in project management and management of Ferrero University's training know-how. The governance systems of this pillar are currently undergoing a substantial revision with the aim to create a continuum of the learning experience, not only during training, but also after training. This aims to let colleagues consolidate the learning experience and turn it into a daily working model, integrating the systems and tools offered by the Academy's programmes.

The Academies already operating, of which some are being revised and updated, in continuity with the work initiated with the Learning Lab are:

- Ferrero Marketing Academy
- Ferrero Industrial Academy
- Ferrero Sales Academy

The Academies currently being developed are:

- Ferrero Legal Academy
- Ferrero Operating Supply Academy
- Ferrero HR Academy
- Ferrero Finance Academy

The Ferrero Local Training & Learning System Pillar: is the essential link joining 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 KPI 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, in a logic of continuity with the projects launched by the Ferrero Learning Lab, together with all the local functions dealing with training programmes, has provided the employees of the Ferrero Group with a total of **394,957 training hours (15.8 hours per capita²²), with an at-**



22. Per capita training hours are calculated taking into account the average workforce during FY 2014/2015.

tendence of 31,101 participants²³ around the World and **involving 13,552 employees** in at least one training programme during FY 2014/2015.

The numerical data relative to the performance of the corporate training programmes at a Group level²⁴, 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 the companies of the Group.

TRAINING ACTIVITIES BY TRAINING AREA IN FY 2014/2015

TRAINING AREA	PARTICIPATIONS	TRAINING HOURS
Development activities	75	1,761
Institutional training	1,656	37,251
Managerial & Soft skills	4,241	64,402
Professional know-how	23,424	202,471
Foreign languages	1,705	89,072
TOTAL	31,101	394,957

TRAINING ACTIVITIES BY TRAINING CATEGORY IN FY 2014/2015

TRAINING CATEGORY	TRAINING HOURS
Development activities	1,741
Finance	3,142
HR	23,212
IT	15,844
Institutional	37,251
Languages	89,072
Legal	1,921
Logistics	2,038
Maintenance	9,519
Management training	65,058
Marketing	15,227
Organization	1,421
Production	23,502
Purchasing	1,122
Quality	9,806
R&D	2,208
Sales	22,932
Security & Safety	69,941
TOTAL	394,957

23. The participants represent the total number of attendees in the training activities, which does not correspond to the number of people involved, in that one employee may have attended more than one training event.

24. The data refers to the classroom training recorded through the Learning Management System.

TRAINING HOURS BY GENDER IN FY 2014/2015

GENDER	TRAINING HOURS	HOURS PER CAPITA
Women	159,717	15.5
Men	235,240	16.0
TOTAL	394,957	15.8

TRAINING HOURS BY CATEGORY IN FY 2014/2015

EMPLOYEE CATEGORY	TRAINING HOURS	HOURS PER CAPITA
Blue collars	109,292	7.9
White collars	188,792	22.9
Middle Manager	74,434	35.4
Senior Manager	22,440	25.4
TOTAL	394,957	15.8

The transition from the Learning Lab Ferrero to the newly established Ferrero University, with the mission to support the business and its challenges as described in the medium term strategic plan, has required the launch of important projects for the reformulation of the training offer, as well as of the governance of training management processes at a global level.

The activities initiated this year, aimed at reviewing the offer and the processes, will continue in the next trading year in which the Ferrero University undertakes to implement the Academies' training offer at an international level. It aims to issue updated versions of the programmes aimed at spreading the values and the culture of the company as well as "onboarding" fresh graduates and renewing the programmes focused on the development of management and leadership skills.

Furthermore we will guarantee coordination with the entire "training system", actively collaborating with the local companies in defining priorities in accordance with the company's strategic plan.

We also aim to strengthen the training offer at a global level with methods and tools used in distance learning, multiplying the learning opportunities and creating the conditions for a continued learning process throughout the Ferrero Group.

Intercultura Programme

For the ninth consecutive year, the Group has renewed its collaboration with "Intercultura", offering the employees' children the opportunity to study abroad. Two annual scholarships have been provided in Italy, Germany and Poland and three brief scholarships (2-3 months) in France.

PERFORMANCE MANAGEMENT

Performance Management is confirmed as an important process that enables the **assessment and improvement of the individual and corporate performance**, and at the same time, contributes to the **professional growth** of the actors involved.

In FY 2014/2015, Ferrero continued to develop its ambitious project to involve an increasingly large number of employees and management (about 9,800 employees from 53 different countries) in a shared evaluation process. The achievement of said objective guarantees homogeneity in the evaluation of employees, alignment to the necessary corporate conduct, clarity in the expectations of the individual and collective contribution and definition of concrete development actions for those involved.

Within this context, and in the perspective of a growing attention towards human resources and the

corporate needs, the Performance process will focus more on the **continuous dialogue between the actors involved to favour development and professional growth**.

The Employee's performance evaluation refers to the commercial year (September-August) and is expressed in a final rating based on the expectations regarding three main elements: coverage of the area of responsibility, achieved objectives and organizational behaviors. The rating is selected in a 4-level scale going from Below expectations to Outstanding. Here the detail for each level:

- **Outstanding:** optimal coverage of areas of responsibility, objectives met and frequently exceeded, behaviors often above expectations.
- **Above Expectations:** a very good coverage of areas of responsibility, objectives met and occasionally exceeded, behaviors sometimes above expectations.



- **Met Expectations:** proper coverage of areas of responsibility, objectives met and behaviors in line with expectations.

- **Below Expectations:** areas of responsibility not completely covered, objectives not fully met, behaviors requiring improvement.



In FY 2014/2015, around 98% of our Senior Manager population received a positive evaluation with a significant percentage exceeding expectations. The following tables report the percentage of employees by gender and by employee category who received a regular performance and career development review during the reporting period:

**EMPLOYEES WHO RECEIVED A REGULAR
PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY CATEGORY**

EMPLOYEE CATEGORY	PERCENTAGE
Employees	83%
Middle manager	98%
Senior manager	100%

**EMPLOYEES WHO RECEIVED A REGULAR
PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY GENDER**

GENDER	PERCENTAGE
Women	37%
Men	41%
TOTAL	39%

COMPETENCIES MANAGEMENT

Within the transformation process that the Group is undergoing, it is of the utmost importance to maintain and share corporate values, adapt management conduct to an external and internal context that is increasingly more challenging and increase the technical know-how required within the work sphere.

Within this framework, the connection between our values and the required competences – core and technical – is further highlighted and strengthened when applying a model that will be integrated into the processes inherent to the management of human resources with the aim to guarantee coherence and clarity on the expected conduct.

SENIORITY OF SERVICE

THE FERRERO GROUP IS CHARACTERIZED BY A PARTICULARLY POSITIVE INTERNAL CLIMATE AND BY A STRONG BOND, CONSOLIDATED OVER THE YEARS, WHICH HAVE BEEN ESTABLISHED BETWEEN EMPLOYEES AND THE FERRERO FAMILY.



In 2015 285 employees received formal recognition of their 25 years of service to the Ferrero Group, 282 employees for 30 years, 149 employees for 35 years and 43 employees for 40 years service.

25. The average was calculated considering, for every employee working at 31st August 2015, the seniority of service from the date of entry in the Gruppo Ferrero to 31st August 2015.

The tables below show the data on the average seniority²⁵ of employees in the Group's plants on 31st August 2015 (it should be noted that the plants in Manisa and in San José have been only operating since 2013).

AVERAGE SENIORITY OF SERVICE OF THE FERRERO GROUP'S EMPLOYEES AS OF 31st AUGUST 2015

EMPLOYEE CATEGORY	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
ITALY: Alba since 1946, Pozzuolo Martesana since 1965, Balvano since 1985, S. Angelo dei Lombardi since 1985			
Blue collar	11 years, 7 months	17 years, 2 months	14 years, 9 months
White collar	15 years, 4 months	19 years, 5 months	17 years, 10 months
Middle managers	16 years, 0 months	19 years, 3 months	18 years, 6 months
Senior managers	17 years, 1 month	22 years, 6 months	21 years, 11 months
GERMANY: Stadthallendorf since 1956			
Blue collar	8 years, 6 months	11 years, 0 months	9 years, 9 months
White collar	12 years, 9 months	15 years, 4 months	14 years, 5 months
Middle managers	11 years, 9 months	16 years, 11 months	16 years, 3 months
Senior managers	10 years, 11 months	22 years, 9 months	22 years, 3 months
FRANCE: Villers-Écalles since 1960			
Blue collar	7 years, 7 months	12 years, 6 months	10 years, 2 months
White collar	14 years, 5 months	17 years, 5 months	16 years, 5 months
Middle managers	7 years, 2 months	14 years, 7 months	12 years, 5 months
Senior managers	-	18 years, 11 months	18 years, 11 months

EMPLOYEE CATEGORY	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
AUSTRALIA: Lithgow since 1974			
Blue collar	9 years, 7 months	6 years, 11 months	8 years, 3 months
White collar	8 years, 11 months	12 years, 10 months	10 years, 10 months
Middle managers	-	11 years, 5 months	11 years, 5 months
Senior managers	-	32 years, 8 months	32 years, 8 months
IRELAND: Cork since 1975			
Blue collar	11 years, 7 months	9 years, 11 months	10 years, 6 months
White collar	9 years, 3 months	15 years, 3 months	12 years, 11 months
Middle managers	12 years, 10 months	29 years, 9 months	25 years, 6 months
Senior managers	-	32 years, 11 months	32 years, 11 months
ECUADOR: Quito since 1975			
Blue collar	8 years, 9 months	4 years, 10 months	6 years, 11 months
White collar	8 years, 5 months	6 years, 9 months	7 years, 7 months
Middle managers	21 years, 9 months	15 years, 0 months	16 years, 11 months
Senior managers	-	39 years, 1 month	39 years, 1 month
BELGIUM: Arlon since 1989			
Blue collar	9 years, 7 months	12 years, 4 months	10 years, 11 months
White collar	19 years, 0 months	16 years, 5 months	17 years, 10 months
Middle managers	14 years, 5 months	23 years, 8 months	22 years, 3 months
Senior managers	-	9 years, 1 month	9 years, 1 month
POLAND: Belsk Duży since 1992			
Blue collar	4 years, 3 months	6 years, 12 months	5 years, 9 months
White collar	9 years, 6 months	9 years, 3 months	9 years, 4 months
Middle managers	18 years, 6 months	18 years, 2 months	18 years, 2 months
Senior managers	-	17 years, 11 months	17 years, 11 months
ARGENTINA: La Pastora since 1992			
Blue collar	9 years, 3 months	9 years, 4 months	9 years, 4 months
White collar	11 years, 2 months	14 years, 8 months	13 years, 5 months
Middle managers	15 years, 5 months	13 years, 6 months	14 years, 1 month
Senior managers	-	-	-
BRAZIL: Poços de Caldas since 1994			
Blue collar	3 years, 8 months	3 years, 0 months	3 years, 5 months
White collar	6 years, 6 months	6 years, 4 months	6 years, 5 months
Middle managers	-	10 years, 8 months	10 years, 8 months
Senior managers	-	19 years, 8 months	19 years, 8 months
CANADA: Brantford since 2006			
Blue collar	3 years, 11 months	3 years, 3 months	3 years, 6 months
White collar	6 years, 2 months	6 years, 10 months	6 years, 6 months
Middle managers	9 years, 10 months	16 years, 8 months	16 years, 0 months
Senior managers	10 years, 6 months	21 years, 3 months	17 years, 8 months

EMPLOYEE CATEGORY	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
CAMEROON: Yaoundé since 2006			
Blue collar	4 years, 1 month	2 years, 0 months	3 years, 5 months
White collar	3 years, 8 months	4 years, 2 months	4 years, 0 months
Middle managers	9 years, 7 months	2 years, 5 months	6 years, 0 months
Senior managers	-	-	-
INDIA: Baramati since 2007			
Blue collar	7 years, 3 months	5 years, 9 months	6 years, 5 months
White collar	3 years, 10 months	2 years, 5 months	2 years, 7 months
Middle managers	-	6 years, 8 months	6 years, 8 months
Senior managers	-	13 years, 7 months	13 years, 7 months
SOUTH AFRICA: Walkerville since 2007			
Blue collar	5 years, 3 months	3 years, 8 months	4 years, 11 months
White collar	3 years, 9 months	3 years, 3 months	3 years, 5 months
Middle managers	2 years, 8 months	7 years, 11 months	6 years, 5 months
Senior managers	-	42 years, 9 months	42 years, 9 months
RUSSIA: Vladimir since 2009			
Blue collar	2 years, 10 months	3 years, 6 months	3 years, 3 months
White collar	4 years, 8 months	4 years, 12 months	4 years, 10 months
Middle managers	5 years, 4 months	12 years, 10 months	8 years, 7 months
Senior managers	-	8 years, 12 months	8 years, 12 months
MEXICO: San José Iturbide since 2013			
Blue collar	0 years, 11 months	0 years, 11 months	0 years, 11 months
White collar	2 years, 10 months	2 years, 12 months	2 years, 11 months
Middle managers	3 years, 4 months	4 years, 2 months	4 years, 0 months
Senior managers	-	36 years, 2 months	36 years, 2 months
TURKEY: Manisa since 2013			
Blue collar	2 years, 3 months	1 year, 10 months	2 years, 0 months
White collar	3 years, 1 month	2 years, 11 months	3 years, 0 months
Middle managers	3 years, 3 months	23 years, 4 months	16 years, 8 months
Senior managers	-	38 years, 6 months	38 years, 6 months

PEOPLE SATISFACTION SURVEY

The Group conducted a first employee satisfaction survey in 2015, in collaboration with the Great Place to Work Institute® (GPTW), a globally recognized organization that assists in evaluating results against national and international benchmarks. This survey has been conducted following GPTW® methodology on more than 20,000 employees worldwide. The survey included questions useful to provide an updated framework on the average level of employee satisfaction.

The results give us the perception that Ferrero employees feel a strong pride for the company image, products and accomplishments as well as a sense of belonging and satisfaction for own job, team and company.

Moreover, the Ferrero Group's contribution to the local community, through its own social responsibility activities and initiatives, is positively recognised by its employees.

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 for improvement, the Group will make great strides in creating a better

workplace for all its employees. The Group, aware of this long journey, will define the areas of improvement and prepare a robust action plan for each area with the strong commitment of its Top Management. This action plan aims to both obtain immediate results and define mid and long term projects.

The Top Management will be directly responsible for improving the organization's performance and level of satisfaction in the workplace.

During 2016 the Group will be dedicated to the deployment of action plans focused on the main strengths and areas for improvement raised in the survey.



NEXT STEPS BY 2020

The aim of the Ferrero Group is to increase competitiveness and employer branding, leveraging on its workforce diversity as a key asset. Within this framework, the Group is committed to guaranteeing the global implementation of its equal opportunities policies, through its Human Resources Department. This will enable the identification of a complete skill-set, in addition to the recognition of the individual contribution of each employee.

According to this aim, the Group has developed new specific 2020 objectives:

- Increase of 5% in women managerial positions (senior manager) compared to 31st August 2015;
- Starting partnerships from FY 2016/2017 with business schools to develop specific programs for women managers;
- Ferrero University: starting from FY 2016/2017 development of training activities related to "Global mindset and Diversity" to increase the knowledge and awareness of this topic at all levels of our organization.

In continuity with the projects in progress and according to the objectives set in the previous CSR report, Ferrero will be particularly active in the following areas:

- favouring equal opportunities at all levels of the organization, the Group will further develop **tools for performance evaluation** and improve the **salary review policies**, that define the priorities of the interventions on the basis of both performance and individual positioning on the market of reference;
- strengthening and developing professional skills of the collaborators who safeguard and manage the corporate know-how and assets, in multiple fields: industrial, commercial, activities and tools in support of innovation and the business. To this end, **the training seminars provided by the Ferrero Know-How Academy will be strengthened;**
- continuation of the existing projects for the **recruitment of young employees**: a number of initiatives at a single country level are being developed, such as school-work bridging projects, orientation days, scholarships, internships that will be further developed;
- extension of voluntary initiatives in the field of **health and safety in the workplace**, aimed at disseminating a safety culture and oriented at a greater participation of the workforce.

THE COMMITMENTS OF FERRERO POLSKA

Year 2015 - Preparation to realization of the project "Live healthy with Ferrero"

Preparation of the project was based on the determination that the health of employees is an important value for the company. Based on the most important elements of generally named health - health, eating habits, safety, physical activity and mental fitness - "pilot" activities were planned (seminars on avoidance of back pain, dealing with stress; basic trainings on first aid;



consultations with a nutritionist and a blood, pressure, cholesterol and sugar examinations). The logo and the slogan for the programme "LIVE HEALTHY WITH FERRERO" was created to arouse interest among employees. Communication was conducted through e-mails (from a dedicated e-mail address live_healthy@ferrero.com), posters and roll-up. After these "pilot" activities, a survey among the employees was carried out, that was to examine their interest in the programme. Result of the surveys became the basis for making the decision to continue the programme.

The course of the project

The programme was presented to the managers and was sponsored by the General Director. Each employee was informed about the programme and all volunteers signed up for individual meetings. All activities took place during working hours for two months. There were also open days with the medical care supplier, to raise employee's awareness on how the company takes care of them and that they should benefit from medical care not only when it is necessary, during disease, but to remember also about prevention. In addition, each employee had the opportunity to benefit from the ergonomic

assessment of the workplace by a specialist and to receive ergonomic materials (mouse and keyboard pad, stand for the documents, footstool). In addition, employees were given fitness wristbands, so that everyone could monitor the number of taken steps, traveled distance, burned calories and the length and depth of sleep. Employees could also install a computer application that reminded about taking a short break at work to stretch, make some basic relaxation exercises. All these accessories are designed to help employees improve comfort and awareness of the importance of movement and the right length and quality of sleep, to enjoy good health as long as possible.

Effects of the project

After finishing the first part of the project we got a lot of positive information from the employees. A big part of them referred to the satisfaction of the subject and the possibility to access the specialists at work. We believe that besides taking care of the health of the employees, this programme has a positive effect on the image of the employer, builds commitment and increases employee's loyalty to the company. In the long term, we expect less absences, greater efficiency and reduced number of accidents at work. The new edition involves more seminars, trainings in first aid for people involved in a road accident, consultations with a nutritionist, sharing the database of articles about health in a corporate intranet. In addition, the result of ergonomic assessment of the workplace will be used to improve the quality of work environment in which employees are present every day (humidity, exposure, air temperature, etc.). The programme will be developed on the basis of employee's expectations, particular activities attendance and the real investment development.

THE COMMITMENTS OF FERRERO GERMANY

Overview of the HR activities through which Ferrero Germany contributes to obtaining the CSR objectives related to the employment of young people:

1. Education

Two-year commercial apprenticeship for students with university access degree. The training is based on the apprenticeship agreement commonly in use in Germany. The practical part of the apprenticeship takes place in the company: apprentices stay in different departments where they are supported by a tutor. The theoretical part takes place at the vocational school over a conti-

nuous period of several weeks. This means that apprentices may go to school for continuous periods of up to 8 weeks. In the middle of the apprenticeship period, an interim exam has to be taken which is supposed to demonstrate the success of the apprenticeship so far. At the end of the apprenticeship an exam, which is identical all over Germany, has to be taken before the audit committee of the Chamber of Industry and Com-

merce. Ferrero organizes a five-day preparation course for the final exam for its apprentices.

2. New: "Dual study"

Ferrero gives young people access to **practical experiences in the company and the chance to enhance their theoretical knowledge through university studies in parallel**. Work within the company and studies at the Fachhochschule (University of applied sciences) alternate in a regular manner. Thus, the theoretical knowledge obtained can also be practically applied. During the entire educational period, the students receive a fixed salary from the company.

3. Scholarships

Every year, **3 university scholarships** (Universität or Fachhochschule) are granted to the children of Ferrero employees or to former apprentices which is then paid for a maximum of 9 semesters. The scholarships are granted by Fondazione Ferrero where the scholars are welcomed during an official event.

School scholarships: every year 2 scholarships for a year at school abroad for employees' children between 14 and 17 years.

4. Girls' day / Boys' day

Ferrero organizes one-day events, giving students of the 5th – 10th grade the possibility **to join our employees during their workdays** in order to gain an insight into their work. This is

supposed to facilitate their decisions when selecting the right job.

5. Internship for schoolboys and schoolgirls

Ferrero offers pupils two-week internships during their "orientation phase" in order to give them an insight into the functioning of the company and the single departments, thus **facilitating their decision about their future job**. Through the intense support provided by a mentor and the integration into the department they selected, the pupils receive an impression of professional reality of the sector that interests them.

6. Internship for students

We regularly employ interns in all areas of the company – particularly in Marketing – for a duration of up to 6 months. The interns are selected through an extensive selection process. As a fair company we pay interns an adequate remuneration, grant them our employee benefits and give them, after a suitable orientation phase, also responsibility for independent projects. The interns receive close support and comprehensive training by the responsible persons of the single departments. During their internship, all interns are able to visit our factory in Stadtal-lendorf for one day.

7. Education fair (HR Stadtal-lendorf)

We regularly participate, with our own booth, **in education fairs in the region and in university graduate**

fairs at universities. Pupils and students can contact us and we provide them, in a close dialog, with a realistic image of our professional trainings and perspectives that Ferrero in Stadthallendorf can offer.

8. Presentations at universities

We have established a close contact to the most renowned universities and intensely maintain this contact, with two objectives: first of all, we want to be even more “top of mind” as an employer among university graduates. Moreover, we want to provide students, through these presentations, with a close-to-reality insight into the relevant fields of activities in the different departments of the company. They learn about **the company’s history and philosophy and will also be informed about concrete career and development opportunities.** We want to interest the best students in making an internship in our company and, ideally, later recruit them directly from university.

9. Career Day

Regular event to which selected students are invited in order to give them a close-to-reality insight into the **trainee programme and the subsequent professional career within Sales.** The Career Day is organized in cooperation with the BU Heads of Sales and is supposed to make decision-making easier for both applicants as well the company.

10. Cooperation with student initiatives

We initiated a long-term cooperation with Enactus, an international student initiative with focus on taking action through regional, social and ecological projects. We cooperate with one student Enactus team that meets our CSR approach. Commonly working on a sustainable implementation of their project idea, we provide support in terms of coaching and financial resources. While the students gain experience in project management and development of entrepreneurial skills, they profit from collaborating with Ferrero experts. We as a company strengthen our own commitment for socially relevant initiatives and attract ambitious future employees that fit corporate culture and values.

11. Guided plant visits for pupils and students

Ferrero offers **guided visits for selected groups of pupils or students to the production lines** to show and explain the technology behind the manufacturing processes of our products. Furthermore, this offering is also awarded as a prize in cooperation with organizations which do competitions on specific technical questions or projects (to identify talents).

MICHELE FERRERO ENTREPRENEURIAL PROJECT

“The idea on which the Ferrero experience makes us reflect is the concept of “social worker”. Ferrero is a “social entrepreneur”: what is the difference? The social worker is one who receives with one hand and gives with the other. The (social) entrepreneur instead first of all identifies the needs to be met and finds the way to do so, generating the resources, singularly or in partnership with others. Well, in Italy we need this method and to make this step: turn our social workers, who are considerably worthy people, into social entrepreneurs. The idea of the so-called “social entrepreneur” was conceived in Italy between the 14th and 15th centuries. Humanism, which was then known as “civil humanism”, was the period that saw the rise of social entrepreneurs. If we go back in history, we find that hospitals, schools, cathedrals were built by entrepreneurs: the Cathedral in Florence was built by the “lanaioli”, the wool traders. Being “social” entrepreneurs, they understood that it is not possible to distinguish between the moment of creation of economic value and the creation of social value. This is why embracing this concept expresses our cultural DNA.”

Professor Stefano Zamagni, economist, former President of the Third Sector Agency, member of the Pontifical Academy of Social Sciences

The entrepreneurial and philanthropic spirit, which has characterised the Ferrero Group since its inception, has been the inspiring source of the Ferrero Social Enterprises, **conceived and launched almost ten years ago by Michele Ferrero**, first in Cameroon and, subsequently in South Africa and in India. Michele Ferrero's idea of social enterprises was different and innovative compared to the common definition of “social enterprise”. The Ferrero Social Enterprises were renamed “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 their development.

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 Michele Ferrero Entrepreneurial Project operate. These initiatives address healthcare issues and the education of children and young adults, operating under the patronage of:

MICHELE FERRERO ENTREPRENEURIAL PROJECT



The Michele Ferrero Entrepreneurial Project launched its production activities in 2006 in Cameroon (Yaoundé), in 2007 in South Africa (Walkerville/Midvaal, Gauteng) and in India (Baramati/Pune, Maharashtra²⁶).



Cameroon (Yaoundé)



South Africa (Walkerville/Midvaal Gauteng)



India (Baramati/Pune, Maharashtra)

26. The Michele Ferrero Entrepreneurial Project in India refers only to the activities of the plant in Baramati.

THE MISSION OF MICHELE FERRERO ENTREPRENEURIAL PROJECT

The mission of 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;

- provide professional training and working skills;
- foster a modern culture of industrial work.

The establishment of production plants provides opportunities for spin-off activities that involve local enterprises. Moreover, the production **gives preference to the use of local raw materials**: this leads to the creation of further jobs, triggering a virtuous spiral of economic development and wellbeing for the local community.



b. Implementation of projects and initiatives of social and humanitarian nature

To achieve this objective, a Social Fund is allocated and defined on the basis of the volumes produced annually by the plant. Subsequently, this sum is transferred to a dedicated local bank account: it will then be used, on a three-year basis, for the implementation of specific social projects identified in agreement with the local institutions and with the consultancy of the Ferrero Foundation. To date, the social and humanitarian initiatives on which the Michele Ferrero Entrepreneurial Project has focused their concern are **child care in the health and education sectors**. These activities include the rebuilding and restructuring of public schools and nurseries, support to paediatric care centres for homeless children, seminars for young adults to raise awareness on the prevention of transmittable diseases.



JOB CREATION AND SOCIAL IMPACT

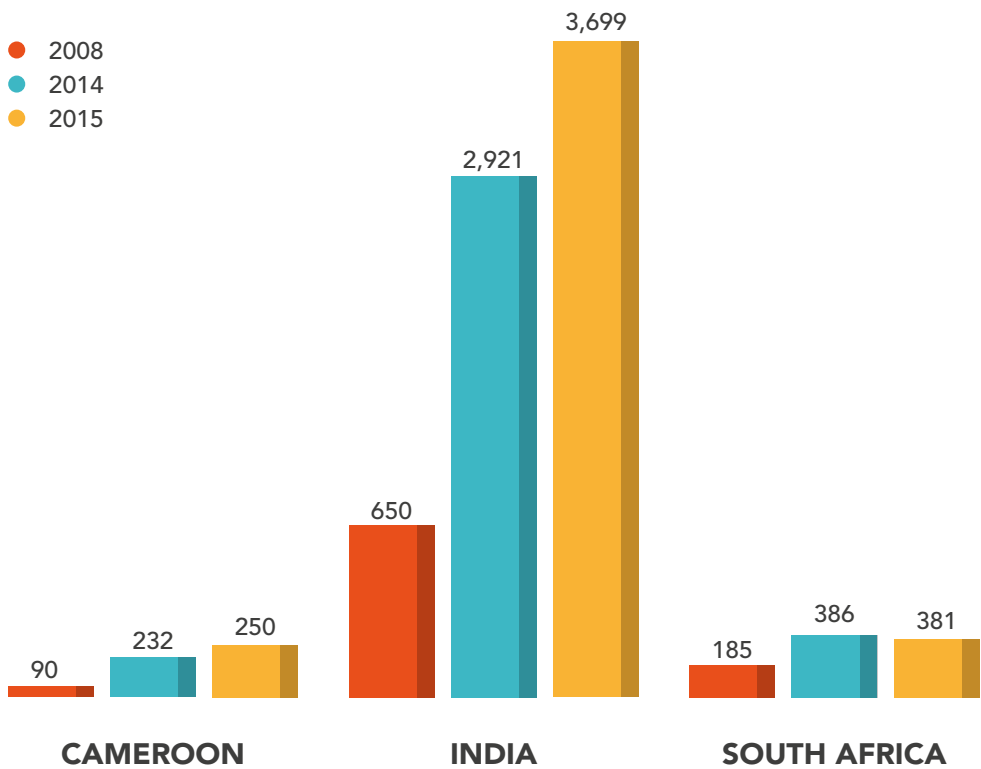
27. This number includes Ferrero's external collaborators, such as temporary workers, sales agents, trainee internships and other forms of direct collaboration, with the exception of service contracts.

As of 31st August 2015, the plants of Michele Ferrero Entrepreneurial Project involved a total of 4,330 people²⁷, equal to about 11% of the total number of the Group's employees.

As of the same date, the number of employees working in the single plants was: 250 in Cameroon, 3,699 in India and 381 in South Africa.

The production plant in India rose to third place for labour force absorption capacity, out of a total of 20 Ferrero production plants.

OCCUPATION LEVELS OF THE MICHELE FERRERO ENTREPRENEURIAL PROJECT AS OF 31ST AUGUST



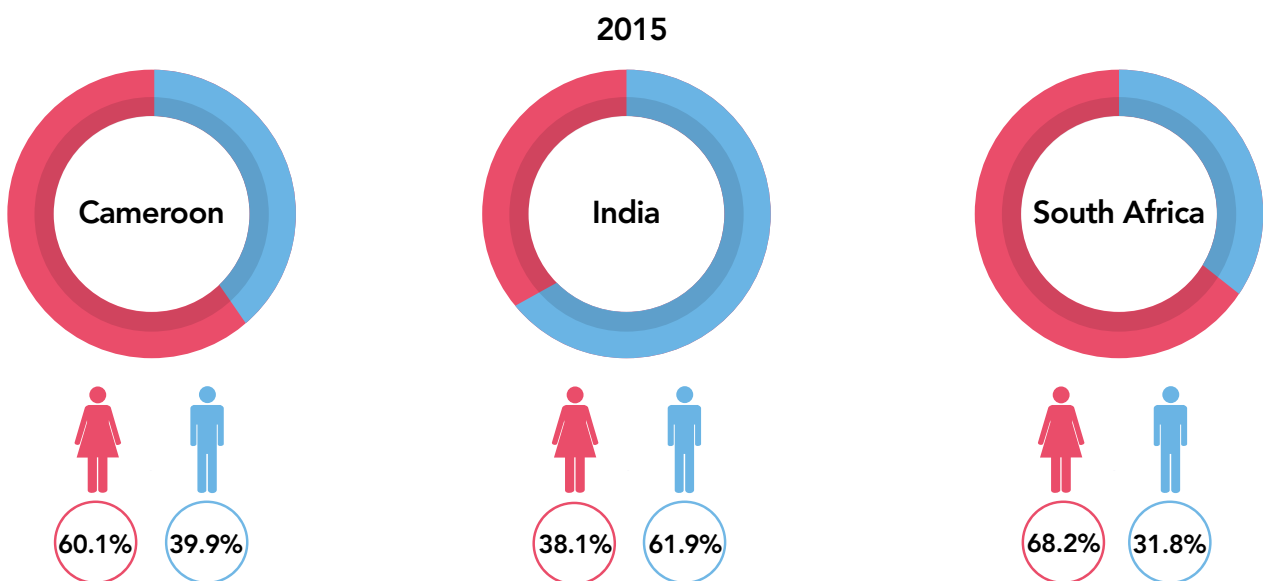
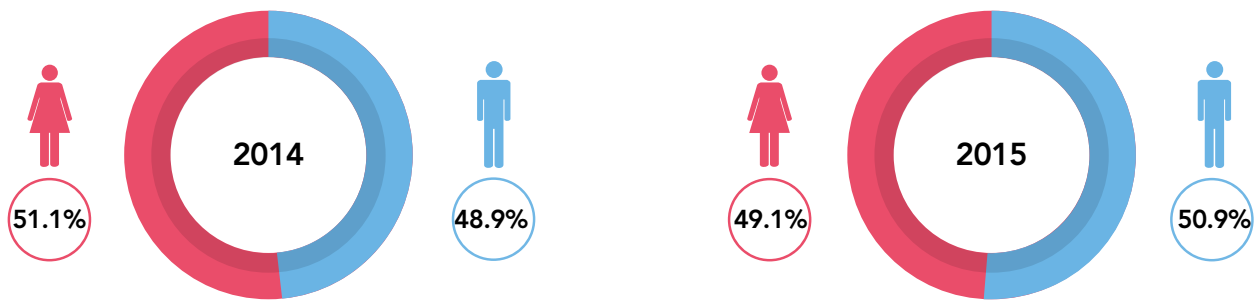
The increase in employment levels of the Michele Ferrero Entrepreneurial Project in India in FY 2014/2015 is owed to the strengthening of the production capacity.

The workers directly employed in the confectionary industry are equal in number to those employed in the supply chain (supply of raw materials, packaging, logistic services): this helps to create a **virtuous system that creates favourable conditions for sustainable development** within the communities in which the Michele Ferrero Entrepreneurial Project operates.



The percentage of women employees engaged by the Michele Ferrero Entrepreneurial Project continues to be predominant in South Africa and in Cameroon. This is not so in India, however, for reasons prevalently connected to cultural, economic and logistic issues that can limit women's mobility.

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



Moreover, since its inception, the social scope of the Michele Ferrero Entrepreneurial Project has extended to the identification and implementation of initiatives benefiting the local communities in which they operate.

These initiatives and works have addressed the healthcare, education and social development of children and young adults and were implemented in close collaboration with the Ferrero Foundation and local institutions.

For a more detailed description of the initiatives developed in the past years, see the CSR reports published on the website www.ferrerocrs.com.

Pietro Ferrero Kindergarten

The "Pietro Ferrero Kindergarten", opened in Baramati on 14 November 2014, with a **roofed surface of about 1,000 m²**. It consists of 2 sections for the children under 2, 4 sections for children aged 2 to 5, a kitchen, an infirmary, toilets, storerooms and offices for the staff. The "Pietro Ferrero Kindergarten" operates in three shifts to enable the plant's personnel to bring their children here at different times according to their shifts, as well as meet the needs of the families and local communities.

In August 2015, the nursery had an average attendance of 94 children assisted by a staff of 31, composed of teachers and child carers, as well as the kitchen staff, security and cleaners.

During this first period of activity, excellent feedback came from the local community. The majority of parents were pleased with the progress shown by their children since attending the "Pietro Ferrero Kindergarten".

In particular, they recognised improvements regarding the children's diet, based on their individual dietary needs, on medical and paediatric assistance provided as well as the quality of the educational and recreational activities carried out in the "Pietro Ferrero Kindergarten".

Moreover, in addition to the periodical meetings with the parents at the Kindergarten, in which the educational plan is discussed, a monthly, customized newsletter is sent to every child containing a brief description of the educational activities, both in English and in Marathi, so that parents may repeat and complete these activities at home.



DEVELOPMENT OF INDUSTRIAL ACTIVITIES: SOCIAL IMPACT AND RELEVANCE WITHIN THE GROUP

THE PRODUCTION ACTIVITIES OF THE MICHELE FERRERO ENTREPRENEURIAL PROJECT ARE PARTICULARLY FOCUSED ON THE REALIZATION OF PRODUCTS OF THE KINDER® LINE. THE KINDER® LINE, NOW RENOWNED THROUGHOUT THE WORLD, HAS DEVELOPED INTO A SERIES OF PRODUCTS HAVING A COMMON MISSION: TO CONTRIBUTE TO THE JOYFUL GROWTH OF BOYS AND GIRLS THROUGH HEALTHY EMOTIONAL AND COGNITIVE DEVELOPMENT AND TO BUILD A TRUSTING RELATIONSHIP WITH THE PARENTS, THROUGH QUALITY, CAREFULLY CREATED RECIPES AND APPROPRIATE PORTIONS.

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

- **technologically innovative and automated**, with regard to the edible product, ensuring the same quality and safety as found in products produced in the rest of the World;
- **manuals** in the production of non edible 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 the maximum number of men and women.

In particular, in all three plants of the Michele Ferrero Entrepreneurial Project, the production of the edible component of KINDER® Joy uses highly automated systems, whilst the plastic shell containing the surprise, on the contrary, is assembled by hand, with the insertion of the surprise-toy parts.

In the same way, in India and South Africa, the Tic Tac® pills are made with automation technology owned by Ferrero, whereas the packaging process is semi-manual.

In FY 2014/2015, 67% of agricultural raw materials used in the plants of Michele Ferrero Entrepreneurial Project was purchased from local producers, marking a reduction compared to the previous year.

The local procurement of raw materials generates an increase in the creation of jobs within the supply chain. With particular reference to the plant of Michele Ferrero Entrepreneurial Project in **Cameroon**, the decision to turn it into a **centre for research and testing of raw materials, as well as production of semi-finished products**, will strengthen the country's commercial results, through the added value created by exporting these products.



“Learn and Earn” in India

The “Learn and Earn” project consists of a **technical apprenticeship for Food Technology students**. The programme includes theoretical lessons in class and practical training in the plant. This initiative, implemented in collaboration with the local Yashaswi Institute of Technology, is sponsored by the Indian Ministry of Education and by the Maharashtra State Board of Technical Education (MSBTE).

As of 31st August 2015, **the project involved around 190 students**, who received an insurance policy and payment of university fees from Ferrero, in addition to remuneration.

Ferrero’s objective in India is to increase the number of participants in the project, to enable students from the neighbouring rural area to complete their learning path with a technical education. Furthermore, on the basis of their performance during the apprenticeship, following the completion of the study cycle, **the students can be integrated in the Ferrero workforce**, according to the organizational requirements.

NEXT STEPS

In the meeting on “Sustainable development and Ferrero Social Enterprises”, held within the Expo Milano 2015 event, the Ferrero Group’s commitment to this initiative was celebrated as one of the most significant expression of social responsibility.

The event also provided the opportunity to announce that **some of the structures used for the Ferrero installations at the Expo 2015 will be reused in two African countries, thus continuing to create value, even after the closing of the world fair.**

In South Africa these will be reassembled in the Walkerville plant to become a paediatric surgery for the children of the men and women employed in the plant as well as for the children in the local community. Moreover, this structure will contribute to improving the healthcare provision currently offered to employees.



In Cameroon they will become classrooms for children and young adults in the refugee camp of Gado-Badzere, in the south-east of the country, on the border with the Central African Republic. This project will be realized in collaboration with the UN High Commission for Refugees (UNHCR).



KINDER+SPORT



KINDER+SPORT, JOY OF MOVING

The Ferrero Group has always dedicated particular attention to the quality of life of people and for this reason it continues its endeavours in **promoting active lifestyles among young people and their families through the global programme known as Kinder+Sport "Joy of Moving"**.

In 2015 the Kinder+Sport project reached its ten year anniversary, and this is the second year it has taken part in the **Ferrero Group's social responsibility programme** that was launched in September 2013. The aim of the project is to encourage physical activity to the young generations, inspiring children and young adults around the world to adopt active lifestyles from early childhood so that these become an integral part of their everyday life.

KINDER+SPORT IS AN INTERNATIONAL EDUCATIONAL PROJECT THAT INTENDS TO SPREAD THE JOY OF MOVEMENT IN THE LIFE OF EVERY CHILD.

Based on the principle that the future of children is in movement, the Kinder+Sport programme consolidates its activities for the purpose of increasing the time dedicated to physical activity among the youth and its qualitative level, and implements it following a very clear Vision, Mission and Goal.



STRENGTHENING THE STRATEGY IN THE PROCESS OF RESPONSIBILITY

Aware that an active way of life is fundamental for the healthy development of children, Kinder+Sport intends to further strengthen its actions by continuing **its process of responsibility** in coherence with the past years.

The **5 guidelines for responsibility** that Kinder+Sport adopts in the countries in which it operates are:

1. **Clear rules:** we observe clear rules and shared processes at a global level to guarantee coherence of project implementation and responsibility. Tools such as the "Kinder+Sport Decalogue" and the "Brand book", with the addition of the "PR Manual", define and regulate all aspects of the project with the objective of guaranteeing transparency and continuity.

2. **Solid partnerships:** the main activities carried out by Kinder+Sport stem from the collaboration with national and international partners, reliable institutions with expertise in the subject of sports education. Particular attention was dedicated to the consolidation of our partnership with the **International School Sport Federation (ISF)**, a point of reference for sports at a school level throughout the world. Globally, Kinder+Sport collaborates with **4 Olympic committees** and **126 sports federations and associations**.

3. **Educational approach:** we have placed education at the centre of our project in order to help children grow with the most important values in sports and in life, such as

honesty, friendship, integration and trust in others. During the Expo Milano 2015, together with partners CONI and MIUR, we presented an innovative method known as **Joy of Moving**, a motor education programme for children that is centred on playing games. We also presented the "**Manifesto**", that contains and valorises the principles of the Kinder+Sport programme, and promoted its global dissemination through a petition. This was signed by more than 86,000 people including leading representatives from the world of institutions and sport.

4. **"Glocal" development:** spreading the programme in various countries according to their local habits and traditions, goes hand in hand with a global approach that is coherent with the founding aims of the programme.

5. **Measurability:** an articulated monitoring programme is adopted at a global level for the purpose of an ongoing evaluation of the results achieved by the project.

The Kinder+Sport programme continues to encourage the responsible promotion of physical exercise also within the company, influencing the corporate culture and inviting employees to become an active element of change and improvement not only in their lives but also in that of their families. The international vocation of the Kinder+Sport programme has been expressed through initiatives for employees in many countries such as France, Great Britain and Argentina.

GLOBAL RESULTS IN 2014/2015

The results achieved highlight a considerable progress in reaching the project's objectives, which are confirmed to be implemented by 2017/2018, and are:

- **Extension of the programme's activities to 30 countries around the World;**
- **5 million children a year attending physical activity programmes.**

Considering the success confirmed by the results of the study on the *Joy of Moving* method, we have decided to redefine the third objective which thus becomes:

- **Implementation of 1 educational programme connected to the *Joy of Moving* method in at least 5 countries.**

In the course of the past year:

- **4 new countries** have participated in the project;
- the **number of children involved in physical activity continues to grow** and particular attention is given to the quality of the activities proposed;
- the partner **associations and federations** collaborating in this programme **have increased by 40%**, including the collaboration with a new Olympic Committee, the **Netherlands Olympic Committee * Netherlands Sports Confederations** (NOC*NSF) which gave Kinder+Sport the opportunity to take part in the Dutch Week of Sports;
- the **wide variety of sports disciplines** practiced was offered, testifying to the **multidisciplinary character** of the project.

Thanks to the many partnerships established, today the Kinder+Sport project has reached global dimensions and the involvement of **25 countries**: Argentina, Austria, China, Croatia, Denmark, France, Germany, Greece, Hong Kong, Hungary, India, Israel, Italy, Mexico, the Netherlands, Poland, Portugal, Principality of Monaco, Slovenia, Spain, Sweden, Switzerland, Turkey, Great Britain, Luxembourg.





RESULTS 2014/2015

25 countries
involved

4.1 Mil children
moved*

3,105 number
of events

4 olympic
committees

2.5 Mil technical
kits distributed

1,107 testimonials
involved

271,519 sport equipment
distributed

23 sport
disciplines

126 federations
and associations

10.6 Mil EUR investment

**Children moved: number of children actively participating in the programmes/events sponsored by Kinder+Sport.*



KINDER+SPORT AREA AT EXPO MILANO 2015

Kinder+Sport participated at the Expo Milano 2015 in collaboration with important institutional partners such as CONI, MIUR and Expo with a large scale architectural project entirely dedicated to physical activity. An area of 3,600m² where children and their families had the opportunity to **experience the fun of physical activity and live the Joy of Moving first hand** through different itineraries developed in the 4 main areas:



- the **Inspiring Space**, dedicated to the presentation of the Kinder+Sport project and its values, to generate awareness of the importance of active lifestyles and to encourage children and their families to adopt more positive habits.

- the **Joy of Moving Garden**, an innovative and educational installation that engaged children in unique PE games, designed and developed in collaboration with the "Foro Italico" Rome University, with CONI and with the Ministry of Education.

- the **Active Arena**, a multi-purpose area for children to play team games in, designed by a scientific committee, to help gain interaction skills vital for the child's development process.
- the **Relaxing Area**, an outdoor space to relax in, where the "Give back" project was illustrated, whose primary structures will continue to generate value even after the Expo has closed.



The inspiring principle at the basis of the educational activities within the motor-ludic itinerary was the **Joy of Moving method** (which will later be described), that Kinder+Sport has elaborated with high profile institutional partners, expert in child development, following a three-year research project launched in 2012.



The Kinder+Sport experience at the Expo represented a very effective relational, national and international driving force, starting from the consolidation of the partnerships with

CONI and the MIUR who actively participated in the project; the former by providing more than 100 trainers and trainees in physical education, the latter by inviting schools and teachers to visit the pavilion.

THE AIMS OF OUR PRESENCE AT EXPO MILANO 2015 WERE THE FOLLOWING:

- TO PROMOTE THE KINDER+SPORT PROJECT AT AN INTERNATIONAL LEVEL IN ORDER TO RAISE PUBLIC AWARENESS ON THE IMPORTANCE OF ACTIVE LIFESTYLES.
- TO PRESENT THE JOY OF MOVING METHOD, ACTIVELY INVOLVING VISITORS AND SCHOOLS IN THE LUDIC-MOTOR EXPERIENCE ORGANIZED AT THE AREA.
- TO STRENGTHEN OUR INTERNATIONAL PRESENCE THROUGH CONTACT WITH THE PARTICIPATING COUNTRIES AND WITH GOVERNMENT AND INSTITUTIONAL REPRESENTATIVES FOR THE PURPOSE OF FAVOURING NEW PARTNERSHIPS AND COLLABORATIONS.

The Kinder+Sport area obtained very important and significant results in quantitative terms but also in qualitative terms: **230,000 visitors** of whom as many as **110,000 were children**, more than **50,000 families** and **2,000 primary and secondary school classes**. A highly significant result, considering that the visits required guidance through the different steps of the itinerary, which was provided with consistency and dedication by the qualified personnel provided by CONI and Village+Sport of Alba.





59 events associated with *Joy of Moving* were hosted, **10 different sports disciplines** were promoted with the contribution of over 100 CONI instructors and more than 150 athletes and Kinder+Sport ambassadors. The programme of events was conceived to illustrate the Kinder+Sport project to children and their families and share the experiences of the project in other countries of the World, highlighting the different nuances and facets of the values of sport. In fact, many of the sports events that animated the area each day were conceived in collaboration with the Business units of the numerous nations in which the Ferrero Group operates: five-a-side football with **Italy, China, Turkey, Serbia, Belgium and Holland, Germany's Basketball Academy**, the mini-basketball match with **France**, badminton with **India, Russia's** traditional dance, the volleyball tournament between **Italy, Spain and Portugal**, mini-volley and sailing with **Poland and Italy, Sweden and Denmark** with handball, **England and Ireland** with the **Move and Learn** project in addition to the **Mini Joy of Moving Games** of the **United Arab Emirates**, the athletics competition of the **Principality of Monaco** and **Mexico's** recreational communities project.

On the occasion of its participation at the Expo, Kinder+Sport also presented the **"Joy of Moving Manifesto"**, that embraces the core principles of the project and was endorsed by more than **86,000 people** including important representatives from the world of institutions and sports, but also and above all, by the families that visited the pavilion in the six months of the Milan Expo.

THE KINDER+SPORT EXPERIENCE @ EXPO IN THE WORDS OF THOSE INVOLVED



Stefania Giannini – Ministry of Education, University and Research - extract from the statement issued on 11 December 2015 during the endorsement of the Protocol of Intent.

"Together we realized a wonderful initiative and today we ideally open another pavilion, a virtual one, so that our children and future citizens may be educated in healthy lifestyles starting from schools. We can thus bring forward the work initiated at the Expo together with CONI and Ferrero, with the objective of spreading the value of health education worldwide."



Giovanni Malagò – CONI President - extract from the interview of 4 May 2015 during the inauguration of the Kinder+Sport area at Expo Milano 2015.

"A pavilion that exudes sport, solidarity, values. Here we feel at home: our athletes, our testimonials, our volunteers are here. The perfect combination of sport and this extraordinary enterprise makes us equal actors within a great stage. And for this I would like to thank the Ferrero family."



Claude Scheuer – President of the European Physical Education Association (EUPEA).

"As the president of a European Association advocating for physical education and physical activity in schools and for the promotion of active kids in general, it is great to see that a large private multinational company puts the focus on the promotion of a physical active lifestyle of our youngest in the frame of their corporate social responsibility. And this initiative is even more: it emphasizes the experience of the "Joy of Moving" together. So I was personally delighted to enjoy the enthusiasm of children from all over the world experiencing the joyful activities in the Kinder+Sport pavilion at Expo Milano 2015, joyful play activities and challenges that also my 9-year old daughter had the chance to experience together with other children from other countries."



Roberto Baggio – Sports champion and FAO Ambassador - extract from the interview of 16 October 2015 during his visit to the Expo.

"Children are our future. The world of sport is full of many important values, but the most important of all is humility. And this is something that we have to transmit to children because that is where the creation of value begins. Life is an endless challenge, at all ages."



Sabine Lohr PR – Consumer Service, Ferrero Germany.

“Expo Milano gave us the opportunity to present our country-specific Kinder+Sport programme to an international audience, underlining the global aspect of the initiative. In the Kinder+Sport area at Expo Milano 2015, one thing has become clear in an impressive way: sport unites people and creates its own “language” which quickly brings children together. Thus, the Expo project has created once more enthusiasm for the Kinder+Sport initiative: in addition to encouraging an active lifestyle, it supports important aspects like integration and cooperation.”



Thomas Laux – Marketing Kinder, Ferrero Germany.

“BU Germany strongly supports the concept of the global Kinder+Sport programme: it's important to make kids enthusiastic about an active lifestyle. In Germany we do this via two programmes: the Sports Badge Tour in field athletics and the Kinder+Sport Basketball Academy. The latter was our contribution for the Expo. We were pleased to see that the programme attracted many young Expo visitors - boys as well as girls, beginners as well as advanced players. Also at the Expo it became obvious how important it is to offer options of physical exercise to children in order to give them a taste of the joy of moving.”



Diego Latora – Village+Sport Alba instructor.

“Expo has undoubtedly been a period of experiences and opportunities for growth both at professional level, and at a human level. As instructors, our task was focused on “creating” games, in which each group of participants could experience the “Joy of Moving” method first hand, and in which spontaneity, joy and fun were highlighted, thus leaving a strong memory of this experience. Our role becomes crucial, because we intervene on an age bracket which is in full development that needs involvement and motivation to take on a path towards maturity, characterised by positive, formative and beneficial aspects of sport.”



Noemi Messinese – Primary school teacher, “V. Bachellet” - Monza, School Complex Project Manager.

“I chose to take my class to the Kinder+Sport event within the Expo because I had the chance of getting to know the structure during the period I served as a volunteer. When I brought the children, the sports instructors were able to involve all the children, to surprise them with gradual and very innovative exercises. The attention given to disabled children was the added value of the experience because they felt perfectly integrated in the sports challenge.”

THE LEGACY OF KINDER+SPORT AT EXPO

The joy that comes from moving, the education of youth in active lifestyles and practice of physical activity: this is the immense **legacy** that **Ferrero, MIUR and CONI** has built thanks to the **Kinder+Sport at Expo Milano 2015** experience.

The focus of the whole Kinder+Sport at Expo Milano 2015 project, as well as the foundation on which the immaterial legacy of this great experience was founded, is the **Joy of Moving method**, which concretely represents the capital of knowledge and educational tools.

This innovative educational method, based on game and movement and oriented towards the child's development as a whole, is founded on precise objectives aimed to promote the motor, cognitive and social development of our children, to enhance their life skills. The *Joy of Moving* methodology adopts a unique educational approach, conceived to contribute to the education of tomorrow's active, competent and autonomous citizens capable of establishing constructive relations.

This is the result of a **research project** conducted by the Università del Foro Italico of Rome, in partnership with

CONI Piemonte, MIUR Piemonte, the Municipality of Alba, the Piemonte Region and Soremartec, research and development company of the Ferrero Group. Launched in 2012, it involved **over 1,000 children, for a period of 3 years**, from infant and primary schools. These children had the opportunity to engage in the targeted ludic-motor activities organized by **Village+Sport in Alba**, under the guidance of 18 graduates in motor sciences, adequately trained by a scientific committee of experts. This scientific committee in fact evaluated the *Joy of Moving* method as an absolutely innovative sports and educational model which can drive an important evolution in the world of education through sport.

The research experience has been included within the didactic manual for children's motor activities, "**Joy of Moving. Movement & Imagination**." by Caterina Pesce, Rosalba Marchetti, Anna Motta and Mario Bellucci. The manual is proposed as a tool, available to all institutional, sports and private actors, for the sharing and application at an international level in synergy with various institutional and private partners.



“The Joy of Moving project brought together children, teachers, parents, researchers, members of institutions and private corporations. We produced scientific evidence, essential for the credibility of this holistic approach to the development of children through games entailing physical activity. But the true success will be achieved if the project is able to grow its roots within and without us, if it triggers an epidemic of joy of moving. Expo Milano 2015 was its first stepping stone to an international launch: because our innovative method was generated within the local reality where Ferrero originates and from where it spread and went a long way.”

Caterina Pesce, editor of the manual and mind behind the method

The results of the research at the basis of the Joy of Moving method

1. Our method, centred on the “variability of the practice”, stimulates child development.

By practicing our movement games, the children gain coordination, which is then strengthened if they practice outdoor activities at the weekends. Therefore, our “recipe” is to enrich the motor activities carried out at school in line with the Joy of Moving method and promote the creation of a facilitating environment that supports the natural tendencies of children to play actively. Our method does not leave behind children with difficulties but in fact gives particular support to those who are perhaps overweight or lacking in physical coordination. Our method improves not only their ability to coordinate their movements properly, but also helps to create new and improved motor solutions, because it stimulates the mental requisites of motor creativity, which is also precious for school learning skills. This is the latest frontier in research on motor activities favouring child development: we have proved that stimulating the ability to coordinate movements also helps children to develop cognitive skills as well as social and personal life skills.

2. In order to make sure that the project continues its activities, we have assessed the implementation process.

The results we consider refer not only to the ultimate goal of the project but also to the various steps along the way. That is to say that, although we aim to obtain results, we fell in love with the process, which underwent a detailed assessment. Some strengths emerged which we can take forward and some weaknesses we need to work on in the future. The strengths are represented by the multi-sector character of the project implementation and the interdisciplinary nature of the educational project. The weaknesses that emerged are the lack of involvement of parents and the synergies with the sectors responsible for creating the environmental conditions needed for a continuous interaction between spontaneous outdoor games, our Joy of Moving educational method in schools and introduction to sports, aiming at the dissemination of “intelligent movement” in recreation, school and sports environments.

3. Last, but not least...

There are the many smiles of playing children, their drawings created to express the experiences and emotions felt when playing, the small victories over one's limitations, thanks to the driving and aggregating force of our games. This side of the project cannot be expressed by statistical figures, but it has left an indelible memory in the minds of those who, having "taken part in the games"- children, teachers, parents, corporate and institutional representatives - have lived these experiences first hand and will transmit them by "contagion". We can only hope for an epidemic in the joy of moving. To give continuity and further enhance the educational format, even after the end of the 2015 Expo, the Ferrero Group, MIUR and CONI signed a **Protocol of intent** in Rome, in December 2015, to promote the development of best practices in healthy lifestyle education in schools.

In addition to the method, we have an important material legacy from Expo Milano 2015 represented by the "**Restituzione**" (Give back) project that will recycle the materials and equipment used to stage the Kinder+Sport area. The recipients of these donations include the Municipality of Alba and Village+Sport, a paediatric infirmary in South Africa, an education centre in Cameroon.



THE VILLAGE+SPORT MODEL IN ALBA

Kinder+Sport intends to operate with coherently unique initiatives around the World that are able to actively contribute to change, for the benefit of society and the active citizens of tomorrow. An example of success is represented by the **Village+Sport** centre in Alba. This is a 20,000 m² sports facility with 7 sports fields, which hosts a modern centre for research, innovation and education in the field of motor sciences, rigorously and competently organized by a scientific committee.

Village+Sport trains its instructors through one of the most advanced and sophisticated training programmes, and represents a model of educational-motor activities suitable for all, especially children and their families, that attracts around **3,000 weekly attendances**. These attendees include children from the schools in Alba, who attend the lessons of the ministerial programme with the application of the new motor education method known as *Joy of Moving*, the athletes of the local sports clubs, high school students, as well as fitness and movement enthusiasts.

Established four years ago as a pilot project, Village+Sport represents a multifunctional model with unique and sustainable characteristics that make it replicable in other geographic areas and cultures. In fact the model was launched to also export the educational approach to the **Pratishthan School in Baramati, India.**

In support of this replicability, we intend to develop a series of these experiences, derived from the *Joy of Moving* manual, the first volume which is expected to be dedicated to the summer *Day Camps*.



A CONTINUED MOVEMENT PROGRAMME THROUGHOUT THE WORLD

Along with the extraordinary opportunity offered by the world stage of Expo Milano 2015, the Kinder+Sport project has continued its steady expansion at an international level in two complementary operations. Firstly, through the partnership with the **International School Sports Federation (ISF)**, that presides over the events at a global level involving students and classes in sports tournaments with the aim of creating greater opportunities for sports tournaments and competitions among schools throughout the World. Secondly, thanks to the excitement generated by those **programmes active in the various geographic areas**, of which we give a few relevant examples hereunder.

Kinder+Sport in Germany

Ferrero Germany is engaged in the Kinder+Sport international project through two important initiatives conceived to promote the discovery of the joy of moving to children: **Kinder+Sport Sport Badge tour and Kinder+Sport Basketball Academy**.

As a supporter of the Sport Badge tour promoted by the German Confederation of Olympic Sports, since 2007, Kinder+Sport has been encouraging children and young adults to test their fitness levels in athletics. In FY 2014/2015, a tour was organized into nine events in various German cities that **involved a total of 1.2 million children**, guided and motivated by experts such as sports ambassador Frank Busemann, Olympic *DecathlonOverall* silver medallist. The sports practiced included long jump, track race, swimming and hammer launch.

The Kinder+Sport Basketball Academy, founded in 2011 to encourage children to try basketball, **involved more than 33,000 children in FY 2014/2015, in 145 events** in which they were able to learn the basic rules of the game from great champions such as Henning Harnisch. The Basketball Academy also took part in other Expo Milano 2015 events at the Kinder+Sport area, **involving almost 8,500 children in two days**.



Kinder+Sport in India



In 2015, in collaboration with Kinder+Sport, Ferrero India organized the first 12-day summer camp near Baramati, in the surrounding area of Pune. The summer camp was **attended by 350 5-12 year old children from the Vidya Pratishthan school, led by 22 local trainers,** trained by the instructors of the Vil-

lage+Sport of Alba, experts in the *Joy of Moving* method. The event has both inspired the children to practice physical activities and transmitted the positive values of sport such as friendship, solidarity, integration and trust.

Kinder+Sport in Mexico

Kinder+Sport launched the **"Recreational Communities programme"** in Mexico in partnership with the Official Institute for Sports of the municipality of Mexico City. The programme led to the restoration and recovery of open air spaces in the disadvantaged neighbourhoods of Mexico City. Equipment was also provided for creating football fields and volleyball pitches and all the materials needed to carry out sports activities involving children and parents: balls, jerseys, cones and goals. In addition, the "Recreational Communities programme" organized every weekend over the entire year, the Activation Tour, to inspire and practice physical activities in families and between parents and children through simpler and less expensive solutions. In the first year of activity, FY 2014/2015, **70,000 people were involved, 8% more than initially expected.**

Kinder+Sport in Italy

Kinder+Sport Italy grasped the opportunity of Expo 2015 to strengthen the project by consolidating relations with the partner federations (volleyball, basketball, swimming, fencing, athletics, sailing and tennis) and above all with the Olympic Committee.

- **7 school projects sponsored**, a different sport for each; in FY 2015/2016 we shall add the "racchette di classe" (class rackets), promoted jointly by tennis and badminton federations.

- **1.9 million children and teenagers** between 6 and 19 years old were coached in sports activities. **180 final events for the sponsored initiatives**, including competitive and non-competitive events. Kinder+Sport provided a team and a village dedicated to the promotion of the project for **100 days**.

- **7 great sports champions** who help us to spread our values: Andrea Lucchetta, Carlton Myers, Massimiliano Rosolino, Valerio Aspromonte, Fiona May, Alessandra Sensini and Rita Grande.

CONI (Italian National Olympic Committee)

This year we supported CONI in the National Sports Day, an event that aims to promote all sports and actively involves the whole national territory in a day of sports and fun, **involving more than 470,000 participants in 20 regions, as well as 100 provinces and 600 municipalities**. The *Educamps* are dedicated to all children aged 5 to 14, including the most sedentary and those less inclined to practice physical activities, young boys and girls referred by social-health institutions. Each individual is guaranteed a safe environment in the summer period, to share moments of healthy sport and games, in venues carefully chosen to host the Camps. In the first edition of the CONI trophy, the competition was held in two phases, one regional and one national: **32 disciplines in which around 3,000 youngsters competed in the final stages**.



FIPAV (Italian Volleyball Federation)

"S3" is the new school project of the volleyball federation, conceived in collaboration with Andrea Lucchetta. In the first year, **2,400 schools were involved** and about **450,000 children**, in addition to **1,000 sports clubs for the supporting activities**. S3 promotes indoor volleyball, but also outdoor events and volleyball tournaments for the purpose of inspiring the entire family to play: children, teenagers, adults and grandparents. It includes game formulas starting from primary school level all the way to secondary school, involving everyone in a simple, dynamic and playful manner. It is based on a detailed technical-didactic progression and on game itineraries suited for all ages. The central idea is to foster the strong values such as sport, team and health, combined with technique, organization and communication.

FIN (Italian Swimming Federation)

"Acquamica nuoto anch'io" is the project stemming from an idea by Arena, technical sponsor of the swimming federation, which is sponsored by Kinder+Sport for the second year. The programme is aimed at primary school children to encourage them to try the discipline, and with the help of Massimiliano Rosolino, it is divided into two phases: classroom didactics and practice in the pool. The first phase of the project reached out to **500 primary school classes all around Italy**, involving a total of **12,500 children**.



FIV (Italian Sailing Federation)

"Velascuola" is the national didactic project designed and implemented by FIV, in collaboration with MIUR, to promote a nautical culture in schools and stimulate respect for the environment. The project includes lessons from federal instructors in support of the school activities associated with nautical activities. As of this year, the project avails itself of the Kinder+Sport partnership through the distribution of didactic manuals, the activation of laboratories and the practical introduction to sailing activities. **527 schools and 139 clubs are involved** with a total of **43,700 trainees**.



1, 2, 3... MINIVOLLEY FIPAV-KINDER+SPORT – RESULTS OF THE RESEARCH

With the end of the 2014/2015 school year, the “1,2,3... Minivolley FIPAV-KINDER+SPORT” scientific research came to its conclusion. Conducted by the **FMSI Institute of Sports Medicine of Torino**, in collaboration with **MIUR Piemonte** and the **Italian Volleyball Federation**, it analysed the results obtained from inserting extra hours of physical education into the normal primary school curriculum, which was managed by qualified staff.

In the five year periods, 2009/2010 – 2014/2015, **25 classes were observed, 5 classes for each school year (from 1st 5th grade)**, from various schools in Torino. This involved specifically trained FIPAV technicians following **the motor education activities for 3 hours a week** from September to May, always in collaboration with the school teacher.

Graduates in motor sciences and medical staff of the “Istituto di Medicina dello Sport” of Torino conducted **anthropometric measurements** (weight, height, subcutaneous skinfold of the triceps), **motor tests** (mobility of spine articulation, motor coordination capacity and resistance) **as well as BMI** (Body Mass Index) **at the beginning and at the end of every school year**. Moreover, a final evaluation was conducted at the beginning of the 1st grade in secondary school with a data comparison with schoolmates coming from different schools. In total **480 primary school children were studied (250 boys and 230 girls)**.



The principle results obtained by the children who took part in the programme for at least 4 consecutive years can be summed up as follows:

1. a **reduction of adipose tissue** and contextual **increase of lean mass**;
2. the physiological increase in the BMI with age translates as a **reduction of the percentiles of reference as in Cacciari et al. relative to the Italian population of the same age**;
3. an **improved physical efficiency** in terms of articulation flexibility, motor coordination and resistance;
4. an **increased knowledge of sport**, relatively to equipment and organizations, as well as the **beneficial aspects compared to sedentary games and positive effects on health conditions**.

The results obtained enable us to conclude that **planned and constant motor activities in primary school years contribute to produce positive effects of a morphological, motor and cognitive nature** in relation to the number of years of motor activity attendance.



THE WIN K L R



This section of the report is dedicated to the **Planet, which the Ferrero Group deeply cares about**: for this reason, we are committed and strongly motivated to combine growth with a high focus on sustainability and the environment.

RESPECT AND PROTECTION OF THE PLANET ARE REALISED THROUGH A SERIES OF RESPONSIBLE CHOICES, AIMED AT BOTH THE SUSTAINABLE SUPPLY OF RAW MATERIALS AND REDUCING THE ENVIRONMENTAL IMPACT OF PRODUCTION ACTIVITIES.

As an integrant part, the Ferrero Group is aware of the important role it plays in balancing the ecosystem. Also considering the direct relationship with the agricultural sector, Ferrero is committed to the **dissemination of sustainable practices** along the entire supply chain. Specifically, the fundamental parameters that we apply in selecting agricultural raw materials are excellence in quality, respect for human rights and sustainability.

Moreover, the Ferrero Group is constantly engaged in **improving the**

energetic and environmental performance of its activities. This is demonstrated through the commitment to environmentally friendly production, using the best technologies available, using energy, materials and natural resources efficiently and consuming water resources in a responsible and reasonable manner.

Aware of this responsibility, **we renew our strong commitment to minimise environmental impact** all along the entire value chain from raw material sources up to the final logistic activities.



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.

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

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 not just from a commitment to a set of core values; it also implies the responsibility to share those values with all stakeholders

inside and outside of the Group. In particular, Ferrero cares about the conditions that characterize the production of its supply chains' raw materials. Moreover, Ferrero **requires all suppliers and collaborators to adhere to Ferrero's Code of Business Conduct** and to comply with its non-negotiable high standards. This ultimately will strengthen the partnership with all actors of the supply chain and increase transparency. Ferrero acknowledges that raw materials are produced in rural areas, and that rural development is the real driver to **help farmers, workers, and their families**. For this reason, Ferrero also promotes good agricultural and social practices according to internationally recognized standards.

WITH A VISION TOWARDS SUSTAINABILITY, IMPROVING THE CONDITIONS OF RURAL AREAS AND THEIR COMMUNITIES WHERE RAW MATERIALS ARE SOURCED, FERRERO HAS LAUNCHED AN UMBRELLA PROGRAMME OF THE GROUP'S ENGAGEMENT TOWARDS SOURCING SUSTAINABLE RAW MATERIALS, FORMULATED AS FERRERO - AGRICULTURAL COMMITMENT TO SUSTAINABILITY (F-ACTS).

F-ACTS

To implement its ambitions for sustainable agricultural supply chains, Ferrero has launched **Ferrero Farming Values** (FFVs) programmes for its key raw ingredients, under the F-ACTS framework.



For each raw material, a tailored FFV programme is guided by specific objectives, **based on a 3-pillar approach**: development of dedicated projects and partnerships, adoption of standards and certifications, institutional and collective engagements.

Specifically, considering the complexity of the global sourcing activities, Ferrero Group recognises that a single actor alone cannot transform a given supply chain into a sustainable one.

ALL STAKEHOLDERS ALONG THE VALUE CHAIN MUST WORK TOGETHER TO ACHIEVE SUSTAINABLE SUPPLY CHAINS.

The three pillars work in conjunction to complement each other, rather than operating in isolation, a series of actions and initiatives implement the 3-pillar approach.



F-ACTS

THE 3 PILLARS

DEVELOPMENT OF PROJECTS AND PARTNERSHIP



TFT,
GeoTraceability,
Support to Life

ADOPTION OF CERTIFICATIONS AND STANDARDS



RSPO, Bonsucro,
UTZ/Fairtrade/
Rainforest Alliance

INSTITUTIONAL AND COLLECTIVE ENGAGEMENT



International Cocoa Initiative,
World Cocoa Foundation,
Caobisco/ILO

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



Objectives set for coffee and soy lecithin supply chains have already been reached. Ferrero will commit to:

- **100% non-GMO soy lecithin.** Ferrero has always done so and will continue to uphold this commitment;
- **100% certified sustainable coffee.** Coffee is generally sourced from Central and South America

from selected suppliers. The UTZ coffee programme “enables farmers to learn better farming methods, improve working conditions and take better care of their children and the environment”.

Supplier Sustainability Programme: assessing and supporting suppliers' sustainability performance



As part of F-ACTS, we began the partnership EcoVadis, a global collaborative CSR data exchange network, to evaluate and validate the sustainability performance of

our strategic suppliers. EcoVadis offers an analytical tool, a scoring system and a secure online database of sharing our suppliers' sustainability practices. Selected suppliers are invited to complete EcoVadis' sector-specific questionnaire about their environmental, social, supply chain practices and business ethics. The results are analysed, scored and reported through its rating system, which is based on internationally recognized standards such as the Global Reporting Initiative, the UN Global Compact and ISO 26000. By using this common platform, we will be able to engage with our suppliers, identifying sustainability challenges and/or opportunities to improve the supply chains. A pilot project has rolled out in December 2015.

1. UTZ Certified Coffee Programme Mission Statement.

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.

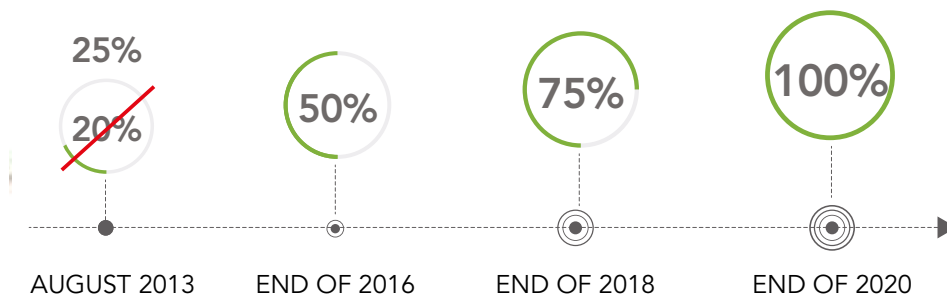
To safeguard the future of the cocoa sector, Ferrero is committed to supporting and improving cocoa farming sustainability through the implementation of the **Ferrero Farming Values Cocoa Programme**. Our programme's approach is based on three key pillars: Certification, Institutional Engagement and 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 2014/2015, Ferrero consumed more than **120,000 tonnes of cocoa beans**, of which **44% was certified as sustainable cocoa**, in line with the predicted target for the relevant period.

SUSTAINABLE COCOA SOURCING ROADMAP



Origins: Côte d'Ivoire, Ghana, Nigeria, Ecuador, Cameroon and others



Currently, the Group is sourcing sustainable cocoa beans with the following certification standards: UTZ Certified, Rainforest Alliance Certified™ and Fairtrade.



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 opportunities for them and their families, preserves the environment and protects the earth's natural resources.



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 ecosystems, including wildlife habitats, water and soil.



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. Within the Fairtrade Sourcing Programme terms, in 2013 Ferrero committed to buy 20,000 tonnes of

cocoa by 2016. By the end of 2015, Ferrero purchased 8,880 tonnes of Fairtrade cocoa.

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. Following are some examples of these on-the-ground projects.

Nigeria: Kokodola Project



Since 2012, Ferrero has been engaged in a private-public-partnership project with IDH, Oxfam Novib, Continaf, Petra Foods Limited and Farmers' Development Union (FADU) in Nigeria. The project is the Kokodola Project, which means "cocoa brings wealth" in the Yoruba language.

The Kokodola Project's overall goal is to improve the livelihood of cocoa farmers in the states of Ondo and Osun in of western Nigeria, with five specific objectives:

- improve cocoa production and quality;
- improve access to finance and agricultural inputs;
- help "professionalize" farmer groups;
- address social issues to empower vulnerable groups and improve livelihoods;
- strengthen multi-stakeholder groups at a national level.

Launched in April 2012, the project aimed to train more than 7,500 farmers by 2015 in good agricultural,

good social and good business practices. In FY 2014/2015, 1,955 farmers (1,370 male and 585 female) were trained. Over the four-year project period, the total number of trained farmers (7,580) exceeded the target.

Under the good agricultural practices training, cocoa farmers learned how to better manage their farms, leveraging skills such as grafting, new planting, pruning, weeding and spraying. In FY 2014/2015, 20 demonstration plots were created to exhibit new and/or improved innovative practices so that farmers could replicate them on their own farms.

In the same period, training in co-operative management was held for three farmers' organizations, reaching 146 cocoa-farmer members. The main purpose of the training was to improve skills and strengthen the internal capacities in developing the farmers' organizations in the area of democratic governance, improved client services and economic dimensions.



The most important things I learned from the Kokodola Project were the aspects of pruning, spraying and nursery development. Learning the pruning technique has really helped to increase my production, and I have used the knowledge I gained from nursery training to build my own cocoa nursery for the extension of my farm.



*Olomi Rotimi,
cocoa farmer in Nigeria*

In order to gain a better understanding of the social challenges of cocoa farming, studies on issues related to child labor, women empowerment and youth involvement in agriculture were conducted. The results of the studies were utilized to design the strategies and activities employed to address the identified issues. To support to the elimination of child labor, a series of awareness-raising activities were carried out.

They included distribution of posters in schools and project areas, distribution of customized T-shirts and informational material to all the lead farmers. Regarding the strengthening of female participation in the project, training on gender justice and women empowerment in economic development were provided to 180 farmers, among which 120 women and 60 men.

Interview with a farmer involved in the Kokodola Project



How long have you been a cocoa farmer?

I started working on the farm with my father in 1965 when I was four years old.

What has changed since joining Project Kokodola?

We are using the techniques as taught in the Farmer Field School (FFS); especially pruning is a big improvement. The difference is that the work becomes less and I am seeing fruits coming out where they did not come out before.

Two of my children are in secondary school while one is still in primary school. My other four children are married and are into business, like trading. What changed since that start of the project is that now there is nothing my children need that I cannot provide.

Can you give an example of that?

I have given my son the starting capital to open a business. He is now selling iron rods for construction.

Would you like it if your children go into cocoa farming?

Yes now. I have recently paid for a cocoa farm for my son, who is 27. He did not yet join Project Kokodola because he is waiting to see if this project is worthwhile; other companies did projects a few years back and cheated the farmers. That is why he is skeptical.

Has your farm yield increased?

Yes, from 3 tonnes in 2012 to above 4 tonnes last season (2013).

What are the biggest challenges you face?

Before this programme we used to be cheated on weight, with rigged scales. The selling of cocoa and getting a fair price was a big problem. But this has improved with the project. Also transportation is a problem. The project vehicle is not coming regularly, the road to our village has been repaired last year so we expect the project truck to come much more to pick our cocoa, so we are hopefully.

How do you see the future?

The farms I was buying are for when I get older. My children will be doing well and I will be able to rest. I have two permanent staff and fourteen casual labourers working for me. The yield is improving and the prices are fair. So my only worry is how long this project will stay, before they leave again. We hope this project will really stay.



*Mrs. Raji (52 years old),
cocoa farmer
March 2014*

Ghana: Ferrero Cocoa Community Commitment (F3C)

In collaboration with the NGO, Source Trust, and the National Programme for the Elimination of the Worst Forms of Child in Cocoa (NPECLC) in Ghana, the Ferrero Cocoa Community Commitment (F3C) project - a Public-Private Partnership created in compliance with the 2010 Harkin-Engel Framework of Action - was approved in 2012 with fieldwork beginning in early 2013. The programme's overall objective was to improve the livelihoods and well-being of cocoa-farming families and their children through a measurable reduction in the worst form of child labor and an increase in household income. The project effectively finished the end of 2015.

Working with NPECLC, F3C aligned to Ghana's 2009-2015 National Plan of Action through four project interventions:

- assist NPECLC to **establish the Ghanaian child labor monitoring sys-**

tems (GCLMS) in 162 new communities identified as prevalent to the worst forms of child labor (WFCL), while strengthening the 14 communities already participating in NPECLC's GCLMS pilot, thereby reaching a total number of 176 cocoa-farming communities;

- support the Department of Social Welfare's community sensitization and mobilization programmes to **promote understanding of children's rights** including the effects and consequences of child labor through the establishment of Community Child Protection Committees (CCPC);

- **introduce comprehensive livelihoods training to community-based farmers' organizations** to enable training to their farmer members. Numerically, the goal was to train 8,800 farmers in better farming and social practices and to reach 26,400 children as indirect beneficiaries of such training;

- **assist the Ghana Education Services (GES) by installing eight Village Resources Centers (VRC)** (IT labs) located at schools to make the teaching and learning of computers and the internet more hands on and effective.



F3C PROGRAMME TRAINING MATERIAL

ADOPTION OF BEST PRACTICES TO IMPROVE COCOA PRODUCTIVITY

Cocoa Demonstration Farm Integrated Soil Fertility Management



Project Results

• Over the project's three-year timeline, **F3C reached a total of 226 cocoa-farming communities** (versus a planned reach of 176) across 8 districts.

Involved in training:

COMMUNITIES **226**
FARMERS **8,800**

• The goal of **training 8,800 farmers in good agricultural, social and environmental practices** was met. In 2015, the training curriculum was expanded to include new topics, such as gender empowerment, diversification of cocoa farming, rapid plantain multiplication techniques, local soil testing and improvement techniques.

• By the end of 2015, five Village Resource Centers were installed in project communities. This intervention ensured that on average **918 junior high school students could acquire IT skills in a lab environment** as opposed to book learning.

While important farmer training targets were reached, goals pertaining to the rollout of the GCLMS were not, in particular the expansion of CCPCs beyond the original 48 communities, data collection on child labor cases and remediation efforts, and deployment of the GCLMS tools. NPECLC funding constraints prohibited the scaling up of child labor sensitization and the GCLMS efforts. Fortunately, Source Trust managed to integrate child labor sensitization into the livelihoods training modules for all farmers.



F3C Benefits

F3C provided comprehensive livelihood training for Field Officers, for Lead Farmers, and for Farmers covering good agricultural, social and environmental practices. Training was designed to **help farmers achieve improved cocoa yields**, and hence a potential to increase livelihoods to better support their families, and commensurately, to decrease the need for children to work on their family farms. Training also included learning on the

Ghana Hazardous Framework specific to child labor in cocoa, clarifying the activities that children are allowed to do, based on age and during off-school hours, and those that they should never undertake.

Other popular themes in the curriculum included: gender issues, the Spraying Service Providers (SSP) concept, food crops, and rapid plantain multiplication techniques.

In addition to training, farmers benefited from:

1. distribution of personal protective equipment;
2. establishment of demonstration plots, following the Integrated Soil Fertility Management Methodology (ISFM) to understand the constraints to productivity and the successes of integrated treatments;
3. distribution of plantain seedlings for shade trees or subsistence crops;
4. improved access to hybrid planting material;
5. field visits from Source Trust agronomists at least once a year.



Other efforts in Ghana

In addition to the F3C programme in Ghana, Ferrero and Source Trust have extended reach to an additional 4,714 farmers in three districts through the UTZ Certification programme.

Ferrero's commitment to traceable cocoa is enhanced by its use of the GeoTraceability **farm mapping system**. By the end of 2015, 9,730 farmers have been fully mapped and are supplying Ferrero with traceable cocoa. By the end of 2016, 13,000

farmers will be integrated into the GeoTraceability system and will supply fully traceable and UTZ Certified beans to Ferrero.

The individual smallholder farms producing this cocoa are mapped using handheld GIS devices that collect a range of farm data, such as tree age and planting density, disease prevalence and farming practices. This allows Ferrero to gain important insight into the socio-economic situation of cocoa farmers.

THIS INFORMATION IS USED BY FERRERO AND SOURCE TRUST TO MORE CLOSELY TAILOR AGRICULTURAL AND COMMUNITY INTERVENTIONS TO THE NEEDS OF THE FARMERS AND THEIR COMMUNITY.

Ultimately, it also monitors the outcomes of Ferrero's investments in those engagements to **ensure Ferrero delivers improvements** in productivity and in the livelihoods of the cocoa farmers who supply their cocoa.

Côte d'Ivoire: Partnerships with Fairtrade and Cooperative Union ECOOKIM

Joint-monitoring Programme with Fairtrade

ECOOKIM is a cocoa cooperative union in Côte d'Ivoire consisting of 23 member cooperatives and approximately 10,000 cocoa producers. Since 2014, Ferrero has sourced Fairtrade certified cocoa directly from ECOOKIM. In FY 2014/2015, ECOOKIM assigned seven member cooperatives and their respective cocoa volume to Ferrero, with approximately **5,400 cocoa farmers**.

In April 2015, Ferrero and Fairtrade Germany initiated a joint monitoring project to assess the development of the cooperative union, explore potential for further progress and improve well-being of the cocoa producing communities. The detailed objectives are as follows:

- to assess the operating progress of ECOOKIM on cocoa farming and community development;
- to strengthen ECOOKIM's

self-monitoring capacities;

- to support further social and sustainable development of the cocoa farming communities;
- to contribute to a transparent and long-term partnership with ECOOKIM.

A key deliverable of the project is to develop a robust monitoring system for the seven cooperatives supplying to Ferrero. Since the development of the initiative, 18 key performance indicators (KPIs) were developed covering areas on cocoa farming and community well-being. The KPIs were translated in the form of questionnaires, in which a digital reporting scheme was organized for the cooperatives. To facilitate the monitoring process, training on data collection and specific KPIs were offered to cooperative members. An agricultural economist with significant field experience



rience on impact monitoring in the rural sector was recruited as a consultant on this project with responsibility for data collection and subsequent training of the cooperative staff.

The project's data collection phase was completed in December 2015. The collected data will have been processed, analyzed and verified by FLOCERT by early 2016, with the first progress report ready by the end of the first quarter of 2016. It is expected that the progress would strengthen and promote sustainable development and improve the well-being of the cocoa producing communities in Côte d'Ivoire.



Child Labour Prevention Programme

Apart from the Ferrero-Fairtrade joint-monitoring project, ECOOK-IM took part in the Fairtrade programme, "It Takes a Village to Protect a Child", whose goal was to **prevent child labor in cocoa-producing communities and improve the well-being of children**. Three out of seven of Ferrero's supplying cooperatives participated in the programme. The programme is carried out by Fairtrade in collaboration with

a local child rights NGO, Fraternité Sans Limites (FSL). It is composed of two major pillars:

1. Establishment of a Child Labor Committee to undertake awareness-raising activities and develop a child protection policy. This Committee conducts a household survey to monitor risks for children in the communities. The survey is carried out by trained Youth Monitors (18-15 years old) at community level.

2. Improvement of primary, secondary and vocational education to promote employment opportunities for young community members.

In addition to the Fairtrade-led programme, ECOOKIM has set up a school loan fund for its member cooperatives to combat child labor and encourage the children of farmers to go to school. With financial support from Ferrero, a primary school is currently under construction, which is expected to be operative in 2016/2017 school year.

Capacity-Building Activities

As part of the Fairtrade certification activities with ECOOKIM, the partnership aims to **continuously improve the living conditions of cocoa farmers and their communities**, and contribute to the creation of a sustainable sector. To enhance the overall competitiveness of the cocoa-farming sector, extensive training on good agricultural, social and environmental practices were given to farmers. Commensurate to this, cooperative management training

was provided to member cooperatives. In particular, ECOOKIM developed a female empowerment project to assist women make a better living and, therefore, improve their living conditions. Activities in this project include organizing agricultural training related to irrigation and subsistence farming (e.g. vegetable cultivation) and providing technical and financial support on market access to sell their produce.



PALM FRUIT OIL



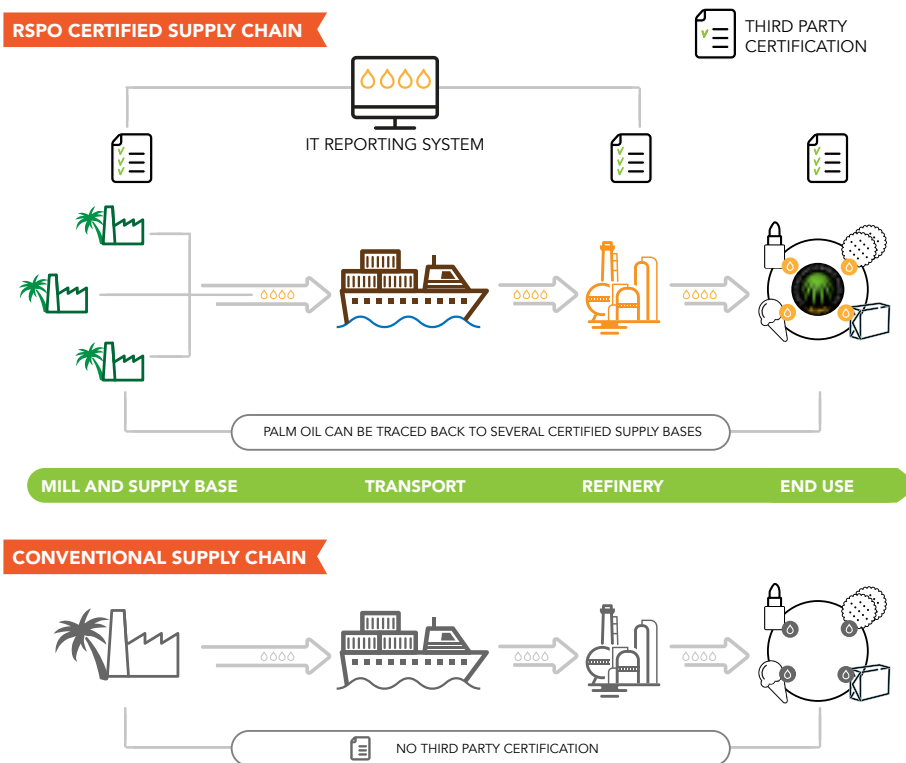
The Ferrero Group sources less than 0.3% of the world's total palm oil production. In FY 2014/2015, approximately 180,000 tonnes of palm fruit oil were sourced out of about 62 million tonnes of the world production

according to official statistics (Oil World 2015).

Ferrero can play a significant role in leading the sustainable transformation of the palm oil sector, to the benefit of the environment and of the communities living and working in palm oil-producing countries. Thus, the Ferrero Group has been working towards **a responsible supply of palm oil since 2005, at which time the Group strategy involved investing in Roundtable on Sustainable Palm Oil (RSPO) certified**. Once first volumes became available, Ferrero started systematically focused on 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.

COMPARISON BETWEEN PALM OIL SUPPLY CHAIN CERTIFIED RSPO AS SEGREGATED AND CONVENTIONAL SUPPLY CHAIN



However, the Group's effort of sustainability is beyond achieving 100% RSPO segregated certified palm oil. This was first demonstrated in November 2013, by the **launch of the Ferrero Palm Oil Charter**: a robust, publically available, time-bound implementation plan, working extensively with our suppliers. **Ferrero also became a member of TFT**, a global non-profit organisation, whose teams work across the world to help transform supply chains for the benefit of people and nature.

TFT supports Ferrero in the implementation of its commitments. Those commitments aim at achieving full FFB (Fresh Fruit Bunch) traceability to the growers the Group is sourcing from, visiting the plantations and providing recommendations for meeting Ferrero Palm Oil Charter requirements where necessary. Furthermore, through this cooperation, Ferrero has been engaging with its major suppliers and has increased visibility to the oil palm growers. Desk reviews as well as onsite visits to the plantations have completed in order to identify the gaps between the policies, procedures and field practices with Ferrero Palm Oil Charter requirements

and have agreed on a time-bound action plan with each of the growers. These action plans are now being implemented and monitored to ensure their proper implementation.

The Group defined **10 principles for Ferrero Palm Oil Charter**, as shown below, that Ferrero is committed to respecting, together with its palm fruit oil suppliers. These principles require that Ferrero Group's 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.



Greenpeace

"As far as consumer companies go, Ferrero, the maker of NUTELLA®, is actually one of the more progressive consumer-facing companies when it comes to palm oil sourcing. Responding to the demands of their customers, Ferrero was one of the first companies to announce a policy to end the use of deforestation palm oil..."

...

Ferrero – unlike many companies – is being transparent and accountable about progress toward implementing these commitments.

...

Policies such as Ferrero's are important and set benchmarks that others should follow"

*Suzanne Kroger, Global Palm Oil Coordinator
at Greenpeace International*



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, while some others 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 among the other ingredients (such as hazelnuts, 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

RSPO segregated certified palm oil guarantees that the oil comes from a palm tree plantation which is certified against the RSPO principles and criteria and is not mixed during the processing with palm oil coming from non-certified plantations.

However this certification doesn't provide the location of the plantation. Our commitments are motivated by the desire to **have direct contact with our palm oil suppliers and establish a short supply chain in order to be close to the growers**, which facilitates the understanding of the supply chain and the knowledge of the origin of the palm oil we buy from.

Therefore, the Ferrero Group has worked with our suppliers to know the mills and the plantations from

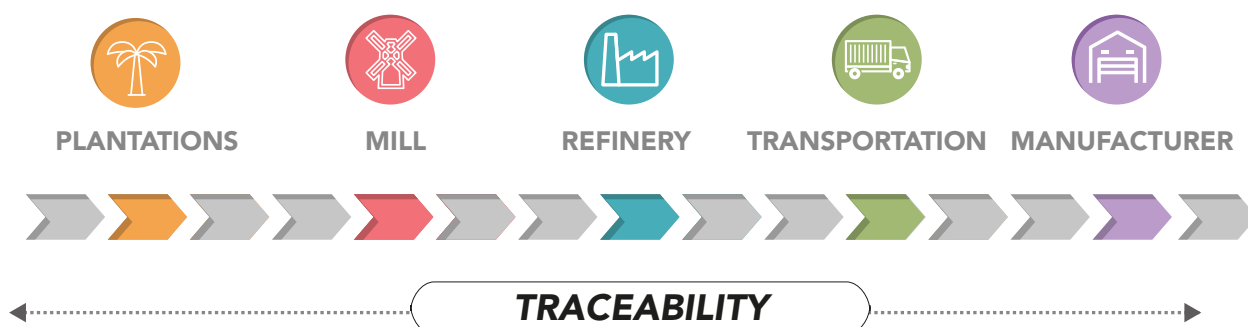
which the oil comes. Knowing the location of the plantation Ferrero is sourcing from allows the Group to monitor the implementation of the Charter.

Ferrero's 2014/2015² records show that, **starting from January 2015, the total palm oil supply is 100% segregated**. As of August 2015, the palm oil used in Ferrero's products is originated from 59 mills and 249 plantations in Peninsula Malaysia (74% of total volumes), Papua New Guinea (17.4%), Insular Malaysia (3.8%), Indonesia (1.7%), Brazil (1.0%) and the Solomon Islands (0.1%).

From our analysis 5.15% of the palm oil volumes we buy are coming from approximately 27,510 smallholders or small farmers.

2. The traceability of individual plantations has reached the 98% of the annual volumes used.

TRACEABILITY OF PALM FRUIT OIL SUPPLY CHAIN



Palm oil Key facts



- Palm oil and palm kernel oil represent 33% of the global vegetable oil production (Oil World 2015).

- On average, 60 million tonnes of palm oil is produced annually (Oil World 2015).

- One hectare of oil palm trees can produce on average 3.6 tonnes of oil each year (Oil World 2015).

- Hectares required to produce one ton of oil (www.mpoc.org.my):

- Palm: 0.26 hectares
- Rapeseed: 1.52 hectares
- Sunflower: 2 hectares
- Soybean: 2.22 hectares

- Oil palm is cultivated on more than 16 million hectares, which accounts for 6% of all the cultivated land for vegetable oils globally, but

has the highest output, producing about one third of all oils and fats (Oil World 2015).

- Indonesia and Malaysia supply around 83% of the palm oil produced globally (of which Indonesia 51%, Malaysia 34%) (Oil World 2016).

- In Indonesia approximately half of palm oil production derives from smallholders, in Malaysia they represent one-third of production.

- A palm tree is productive for around 25 years³.

- One palm tree produces 40 kilograms of palm oil every year³.

- In Indonesia and Malaysia together, approximately 4.5 million people earn a living from palm oil³.

- The use of palm oil in human nutrition dates back 10,000 years³.

3. <http://www.palmoilandfood.eu/en/what-is-palm-oil>

Improving our suppliers practices: follow up from the field visits

During 2013 and 2014, Ferrero performed field visits at a selection of our major suppliers' supply base, from where we buy 74% of palm oil.

The outcome of the visits resulted in the agreement of a time-bound action plan with each grower. Since November 2014 the Group has been working closely with TFT and its suppliers in order to address the gaps identified during the field visits.

Most of the short-term actions have been undertaken and the identified issues addressed (workers conditions, Group policies update, commitments towards No-Deforestation, No-Exploitation). However, some of the actions need further engagement with the growers in order to support the improvement of practices.

FERRERO PALM OIL SUPPLIERS



Towards the inclusion of smallholders in our supply chain

One of the pillars of Ferrero Palm Oil Charter is the **inclusion of smallholder farmers in our supply chains** and the Group is aware that some smallholder practices need to be improved and reported. Also, further engagement with smallholders is needed in order to support them, to achieve better practices while improving their livelihoods. The Group will actively support this movement by investigating every location, type of smallholder issue and potential initiatives that Ferrero can engage with. Among others, Ferrero intends to work with the "Rurality" project, a TFT initiative which aims to empower smallholder farmers and support more resilient farming communities. Furthermore, we are contributing through in-depth discussions with OXFAM and collaborating in the design of the FAIR smallholder project of OXFAM in order to assess potential implementation.

Nevertheless, the Group doesn't limit its efforts to a single project and will consider every existing initiative as a possible **opportunity to include and**

engage with smallholders within its supply chain. The Ferrero Group will continue to work with all its suppliers to firstly assess the rural dynamics of their smallholders. Such assessments will provide information to be able to tailor the support needed by small holders/farmers to assist them in transforming and improving their livelihood.



Next steps in 2016

- **Ferrero Palm Oil Charter:** to maintain its active role in the sustainable palm oil market, Ferrero will carry on its journey beyond certification, namely the systematic implementation of the Ferrero Palm Oil Charter throughout the whole supply chain: from suppliers to sub-suppliers. In the next step, Ferrero will translate, in partnership with TFT, the Ferrero Palm Oil Charter's ten objectives into specific measurable criteria and will develop a verification tool in order to assure customers and stakeholders of the robustness of the Charter, verified by a third party.

- **Palm Oil Innovation Group (POIG):** Ferrero actively supports the POIG, that is 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 with

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. By engaging with buyers of palm oil from retail and manufacturing sectors, POIG aims to influence market demand for responsibly produced palm oil from POIG verified companies.

For more information on the POIG, visit www.poig.org.

For more information on the POIG Charter and indicators, visit: http://poig.org/wp-content/uploads/2016/03/100316_POIG_FAQ.pdf.

FOR MORE INFORMATION AND FOR PREVIOUS REPORTS ON PALM OIL PROGRESS VISIT WWW.FERREROCSR.COM.

Sustainability in Shea

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 are **traditionally collected by local woman**. 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 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.



Sustainability in Sal

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.

Ferrero has been awarded by the local government of Madhya Pradesh, for its consistent and responsible sourcing approach. **We will continue to work towards a sustainable sal supply chain** and seek a long-term project partnership of sourcing sustainable and traceable sal in India.

HAZELNUTS

Hazelnut supply chain

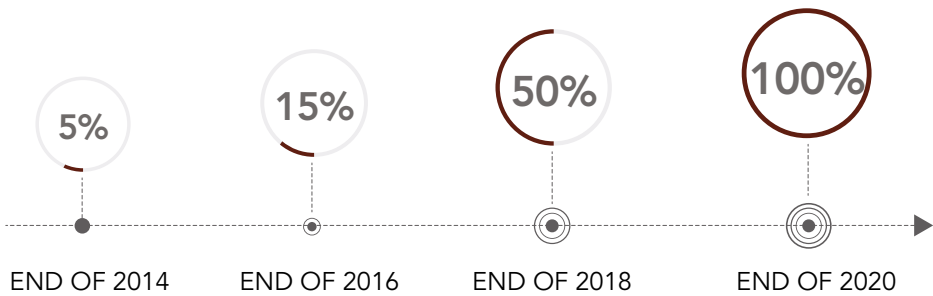


FERRERO, AS ONE OF THE LARGEST GLOBAL PLAYERS IN THE HAZELNUT SECTOR, AIMS TO REACH THE GOAL OF 100% TRACEABILITY OF ITS HAZELNUT SUPPLY CHAIN BY 2020.

Traceability in Ferrero's hazelnut supply chain refers to the ability to follow the flow of hazelnuts in the producing stages and trace their origins back to the farms. With quality as the top priority, a robust traceability system allows the Group to **ensure the quality of production and products**.

According to the sustainable hazelnut sourcing roadmap, Ferrero will reach 100% traceability in 2020. By the end of 2015, in line with the defined roadmap, **the Group achieved the full traceability of more than 5% of its hazelnuts purchase**.

SUSTAINABLE HAZELNUT SOURCING ROADMAP



The Group has not only sourced hazelnuts from the major hazelnut producing countries (i.e. Turkey, Chile and Italy), but also from its own plantations. With the objective of meeting the growing demand and strengthening the leadership position in the global hazelnut market, **Ferrero has**

established 6 hazelnut-Agricultural Companies in Chile, Argentina, South Africa, Georgia, Australia and Serbia. They are all Ferrero-owned agri-companies as an investment to ensure the excellent quality and counter-seasonal supply of hazelnuts worldwide.

For an in-depth and more complete view on Ferrero own hazelnut plantations, please consult the dedicated chapter.

BEING ONE OF THE LARGEST GLOBAL PLAYERS IN THE HAZELNUT SECTOR, FERRERO COMMITS TO BECOMING A LEADER TO INFLUENCE AND DRIVE SUSTAINABLE CHANGES ALONG THE ENTIRE HAZELNUT VALUE CHAIN. THIS COMMITMENT IS HONORED THROUGH THE IMPLEMENTATION OF THE FERRERO FARMING VALUES HAZELNUT (FFVh) PROGRAMME.

Turkey: Ferrero Farming Value Programme

Turkey produces around 75% of the world's hazelnuts annually. In this country, Ferrero remains one of the largest buyers and, for this reason, in 2012, the Group decided to start and develop there the FFVh programme with local and international partners. As already mentioned in the previous CSR reports, Ferrero has paid special attention to relations with its Turkish hazelnut suppliers regarding high quality and safety standards and 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 where rural-urban migration is significant. Ferrero's plan for sustainable procurement includes the involvement of a leading global certification firm,





Scientific Certification System (SCS Global Services, www.scsglobalservices.com) commissioned to develop concrete action on the ground in Turkey.

Since 2012, SCS, in collaboration with local auditors, has been validating this model through a document specifically created to use in the fields with the farmers, the FFV Control Points. With an extensive round of audits during the harvest months (August and September in Turkey), the auditors **completed a comprehensive check of Ferrero's supply chain** and defined the points of strength and the areas for improvement that constitute the objectives in the pipeline for FFV in 2014. In FY 2014/2015, during the harvest season, specific audit to the FFVh supply chain have been carried out by SCS and local auditing firms to prove the commitment and compliance of the producers to the standard. A repre-

sentative sample of farmers was selected through rigorous criteria and visited by the auditors during harvest practices.

The constant monitoring of the situation and a better reading on the insights of the supply chain are possible through the implementation of a traceability platform that is managed in collaboration with GeoTraceability.

This tool allows Ferrero to have a clear picture on the location of the orchards, the production of the farmers that supply Ferrero and the main issues they face in order to better understand the technical support needed by them. Ferrero formed a team of agronomical engineers that are providing assistance to the farmers throughout the hazelnut producing areas of Turkey.

Agriculture is characterised by cycles that guide farmers according to crop calendars and to the observation of the environment. FFVh is developed and shaped based on the agricultural calendar to provide producers

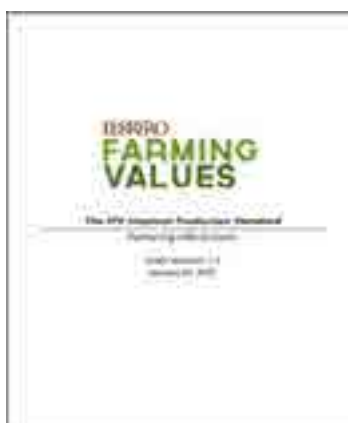


with technical assistance and expertise when needed. **Local teams of agricultural technicians have been established** in strategic areas in hazelnut producing regions.

The 79 (54 agricultural technicians and 25 field workers) skilled and motivated young professionals offer farmers free-of-charge consultancy in:

- fertilizer input evaluation and application;
- pest and disease control;
- weed control;
- pruning;
- soil carbon retention;
- harvesting/mechanization;
- water and waste management.

All these points are formalised in a technical plan, the FFV Hazelnut Production Standard, a document that precisely outlines the best practices of hazelnut cultivation. Through the evaluation of its implementation at a farm level throughout the two-year project, Ferrero recognized the need to review



the Production Standard and ensure it is applicable to the hazelnut industry. In 2015, the standard was revised from version 1.0 to 2.0 and updated through a multi-stakeholder consultation process.

The technology transfer is mediated through the establishment of model farms that FFVh manages directly, in the Black Sea region. Farmers are invited to the model farms to learn the

latest agricultural techniques and discuss their farming issues and necessities with Ferrero technicians.

In 2014 and 2015, 3,600 and 8,938 farmers respectively registered and benefited from the programme, showing great interests in discussing and demonstrating the best way to implement good agricultural practice.

Mechanization aims at minimizing operational costs, while increasing productivity. This essential step in modernizing agriculture has generally benefited and increased farmers' competitiveness. In Turkey, FFVh recognised mechanization as a fundamental phase towards professional farming. Working closely with international agricultural machine manufacturers, **FFVh intro-**

FFV Hazelnut Production Programme:

YEAR	2014	2015
PARTICIPATING FARMERS	3,600	8,938



duced customised machines to its model farms. The type of machines hand-built for Turkish hazelnut farming include two-wheel vacuum harvesters, small size track tractors and easy-to-use grass mowers. In the design of these machines, three factors are taken into consideration: **suitability** of using on a steep slope, **easiness of maintenance and reasonable price.** Through continuous effort to adapt these machines to farmers' need, FFVh succeeded in introducing them as common practice. The programme expects an increased utilization of machines alongside the support of FFVh's technical assistance.

With the scope of **turning part-time farming into an agribusiness**, one

key FFVh 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 FFVh 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 **42 FFVh drying stations** strategically located throughout the hazelnut-growing regions.

Public-Private Partnership with Caobisco and ILO

In FY 2014/2015, Ferrero continued to support and participate in the extended Public-Private partnership with Caobisco (Association of Chocolate, Biscuit & Confectionary Industries of Europe) 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 and 2014.

The overall goal of the project is to contribute to the elimination of WFCL in seasonal agriculture in line with the Turkish Government's strategy. Specific objectives are in the following:

- **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.

During the 2015 harvest season, the project was carried out in Uzunisa, Efirli, Ünye Fatsa districts of Ordu Province in the East Black Sea Region, and Hendek District of Sakarya Province, Çilimli and Akçakoca districts of Düzce in the West Black Sea Region. On the first week of the project, 140 students in Uzunisa, 150 in Efirli, 150 in Ünye, 190 in Fatsa were registered at social support centres.

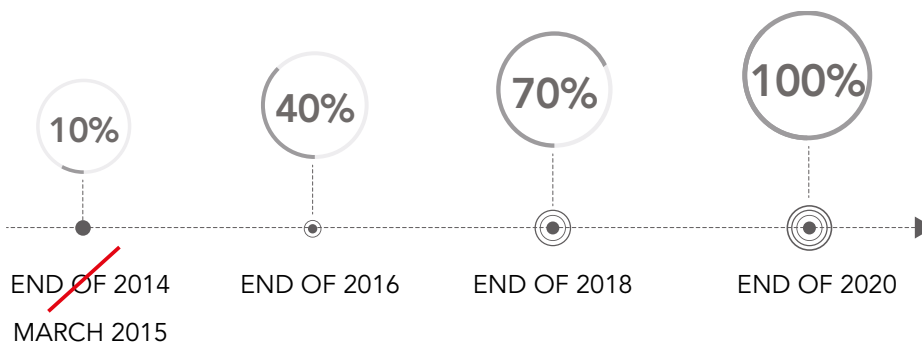


SUGAR



In FY 2014/2015, the total volume of sugar purchased by Ferrero can be broken down to approximately **1/4 refined cane sugar and 3/4 beet sugar**.

SUSTAINABLE CANE SUGAR SOURCING ROADMAP



Origins: Brazil, India, Australia and others



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 assurance of 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 allows a guarantee 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 ACHIEVE 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), 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.



In 2014/2015, Ferrero successfully purchased Bonsucro certified sugar in both Australia and Brazil, which accomplished the step to **reach an interim target of above 20% milestone by the end of August 2015.**

With the revenue from the sale of Bonsucro certified sugar, the farming community will benefit from extra money for investments directed at improving agricultural practices and strengthening the sustainability practices.

Furthermore we are actively committed to incentivizing existing suppliers, like EID Perry, to improve and certify their supply, and apply Bonsucro certificates.

The Ferrero Group will continue to actively seek and utilize other sustainable sources where possible, with the aim to identify collaborative CSR initiatives that could contribute to achieving the objective of attaining 100% sustainable sugar cane.

POLICY ON ANIMAL WELFARE IN THE MILK AND EGG 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.

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.

The 5 freedoms⁴ 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.

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.

4. 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 has reached the objective of using 100% cage-free eggs since 2014 in the EU and will continue its commitment:

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

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.



MILK



Over the years, Ferrero has developed and nurtured long-term relationships with milk producers whom 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.

Ferrero strictly adheres to national production regulations for raw milk and dairy, and constantly encourages its suppliers towards the best practices of 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 their dairy partners, selected **according to strict standards to ensure the control of the entire chain and constant freshness**, taste and safety. Liquid milk is pasteurised within 24 hours and dehydrated, if necessary, within 48 hours of collection, before being delivered to the Ferrero plants.

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 "Milk Supply Chain Partnership Project", which Ferrero developed with the two most important suppliers, Inalpi (Italy) and Mittelelbe (Germany). Milk from by 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 30,000 tonnes of milk during the period from 2013 to 2015, 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 system of control of the supply chain, are divided into the following categories: animal feed, corporate structures and management of animal health.

In 2015, Ferrero implemented the "**Milk Quality Project**" (M.Q.P.) for 11 strategic suppliers in different geographic areas (from Italy to Scandinavia), representing more than 90% of the milk supplied to the Ferrero plants in Europe. The extensive data collected through dairy farm audits (more than 550 dairy farms visited across Europe) 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 and for creating any plans for improvement. 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 programmes and, last but not the least, to consolidate strong relationships.



FERRERO HAZELNUT COMPANY

ON THE PATH TOWARDS INTEGRATION WITHIN THE HAZELNUT SUPPLY 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 of the Oltan Group, **Ferrero now operates along the entire hazelnut supply chain:** from the field, with Ferrero's farms and an intense program of research and innovation, 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 protection of Ferrero's farms, managed, including other professional figures, by the so-called "green collars", 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 a single organisation: 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 31st August 2015, more than 3,000 people were collaborating within the Ferrero Hazelnut Company (HCo), distributed among 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: while previously the Group acted only at a procurement level, today, thanks to the HCo, it has both acquired a considerable know how in processing the raw ingredient and become one of the major world players in the hazelnut sector.

THE ACTIVITIES OF FERRERO HAZELNUT COMPANY (HCO)



Land acquisition, Ferrero farms and outgrowing

The activities of these three functional areas are strongly integrated: currently they all operate with the aim of expanding the growing of hazel trees on a global scale.

- The Land Acquisition Unit is responsible for searching and acquiring land upon which to plant new hazelnut groves.
- The Ferrero farms 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 further 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 both supporting Ferrero's farms, but also in contexts in which this cultivation is not present or it is neither organised nor of high quality. Also in this case, a great diversity of skills is required; knowledge of agro-economy to demonstrate the feasibility and profitability of an investment, agronomy for the management of the technical aspects, marketing and communication for promoting initiatives effectively and communicating them in the right way.

Agricultural research and innovation

Within the HCo, hazel tree research is essential: a team of agronomists is dedicated to experimentation and to field work, with very advanced instruments and techniques, such as the remote management of mechanised operations (via GPS), the use of drones to monitor the cultivation (water stress, leaf pathologies, etc.); products for managing adverse conditions, new propagation methods, ensuring genetic conformity and high degree of plant health. 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 hazel tree cultivation field.

In addition to in-house research, HCo also promotes open innovation initiatives: May 2015 saw the launch of the Ferrero hazelnut award, a competition aimed at promoting research and innovation in cultivating hazel trees.

Ferrero hazelnut award contest

The 2015 Expo Milano hosted the award ceremony for the **Ferrero hazelnut award contest**, an award to sponsor and improve research and innovation in the hazelnut sector.

The aim was to stimulate and obtain from the scientific world some practical solutions for the critical issues associated with the cultivation of hazel trees, as well as apply innovative proposals to a sector that can still be considered traditional in many ways. The answer to the HCo's invitation was very positive: universities and research institutes participated in the event, for a total of more than 40 projects. Amongst these, the first prize, amounting to 150,000 Euros, was awarded to the *Instituto de Investigaciones Agropecuarias*, INIA Carillanca (Chile) for the project **"Improvement hazelnut production incorporating novel technologies for the most important world production areas"**.

The proposals were **received, evaluated and classified by an external and independent scientific committee, established at the Piacenza's Catholic University of the Sacred Heart** and led by Prof. Lorenzo Morelli, President of the Faculty of Agricultural, Food and Environmental Sciences, according to a grid that assessed innovation, sustainability and easy of implementation of the projects presented.

This prize further confirms Ferrero's **constant strive for excellence in quality**, and, in terms of **innovation, the constant search for sustainable agricultural practices and its care for the environment**.

Processing, Improvement e Industrial Quality

The HCo's research and development (R&D) process is composed of two souls, independent but complementary. The first consists of the agronomic part, already illustrated previously; the second is focused on the hazelnut processing and transformation phases, starting with drying: the operation where the field agronomist passes the baton onto the industrial technician. Throughout its history, Ferrero has developed the ability to work and transform hazelnuts setting up the best processes, techniques and machineries, for example for toasting or chopping. With the birth of the Ferrero Hazelnut Company (HCo), this approach aimed at innovation and improvement was also applied to the processing phases, from shelling to the 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.

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. In this setting, all clients, including the Ferrero Group, can benefit from the investments made by the HCo in agricultural research, in the identification of new development areas, in the improvement of quality and in the programs to ensure production sustainability.



Ferrero's farms

Ferrero's farms are owned by the Ferrero Group, located in new areas considered suitable for hazel cultivation. The farms are the HCo's agronomic "research laboratories", as true model farms with a triple function:

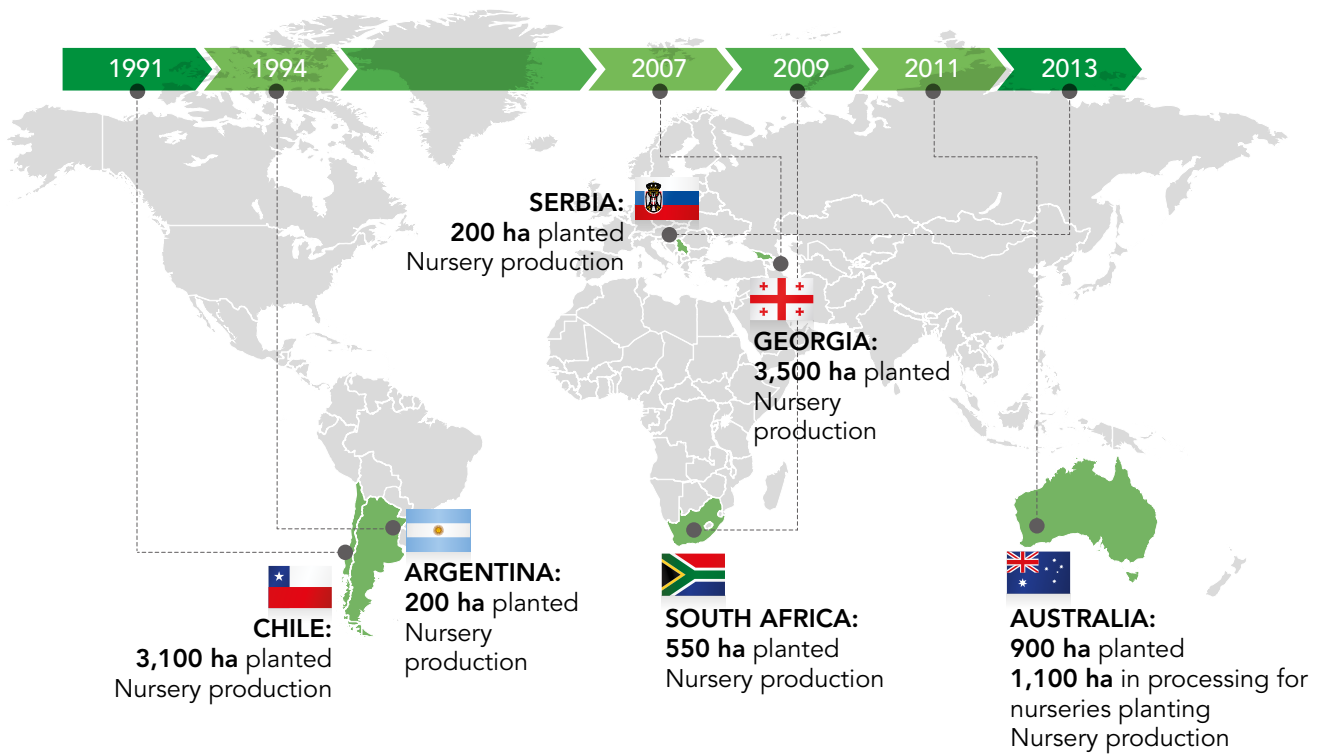
- **experimentation:** to verify the adaptability of the different varieties of hazel trees to local agricultural and climatic conditions and experiment with different agronomic techniques;
- **demonstration:** to encourage and promote the cultivation of hazel trees amongst local farmers;
- **productivity:** to set aside a significant part of the hazelnut harvest to Ferrero.

Part of the farm 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 local farmers technical assistance and consultancy to cultivate their plantations in the best possible way.



FARMS DEVELOPMENT



MINIMISING ENVIRONMENTAL IMPACT

Climate change is one of the greatest global challenges of the coming decades and will affect the way companies run their business. For this reason, in December 2015, during the UN Climate Conference in Paris (COP21), 195 nations signed an agreement, called the Paris Agreement, with the aim to keep a global temperature rise this century to well below 2° Celsius and to drive efforts to limit the temperature increase even further to 1.5° Celsius above pre-industrial levels.

The fight against climate change is one of the three aims that the United Nations (UN) set itself through the promotion of the 17 Sustainable Development Goals (SDGs) adopted by the 193 member States in September 2015.

In this context, the Ferrero Group recognizes the transition towards a low emission economy as the only way to ensure sustainable economic growth while respecting the Planet.

Climate change and agricultural activities

Climate change affects different sectors, first and foremost the agricultural sector, which is more susceptible due to its direct dependence on weather conditions. This dependence becomes more intense and evident in tropical agriculture, where climate variations can even trigger sudden changes in the price of goods or instability in the available volumes, with consequent supply risks. This can lead to long term negative effects such as the abandonment of rural areas with a discontinuous generational presence in the community and the loss of services and infrastructures.

Ferrero, a confectionery business, uses raw ingredients that originate mainly from tropical areas in its recipes. The significant economical efforts made to ensure the supply of high quality ingredients, typical of the Ferrero business model, cause a greater financial exposure, which the group tackles through **programmes focused on mitigation and by working closely with the producers in the countries of origin.**

The FER-Way project

In this context, the Ferrero Group believes that its primary responsibility is to measure the impact of the entire supply chain of its products. Only once it has a clear vision of its own impact can it manage and reduce it. Since 2009, the Group has been measuring its Carbon Footprint annually⁵, committing to gradually increasing its boundaries.

Since FY 2013/2014, with the launch of the **FER-Way - Ferrero Environmental Responsibility Way** - project, aimed at the correct management of environmental sustainability, the Group has been paying particular attention to the improvement of data accuracy, to the greater inclusion of indirect emission sources and to the redefinition of indicators and measurement parameters that follow the most recent developments in the scientific field. This will allow the identification of risks, opportunities and strategic action to be taken.

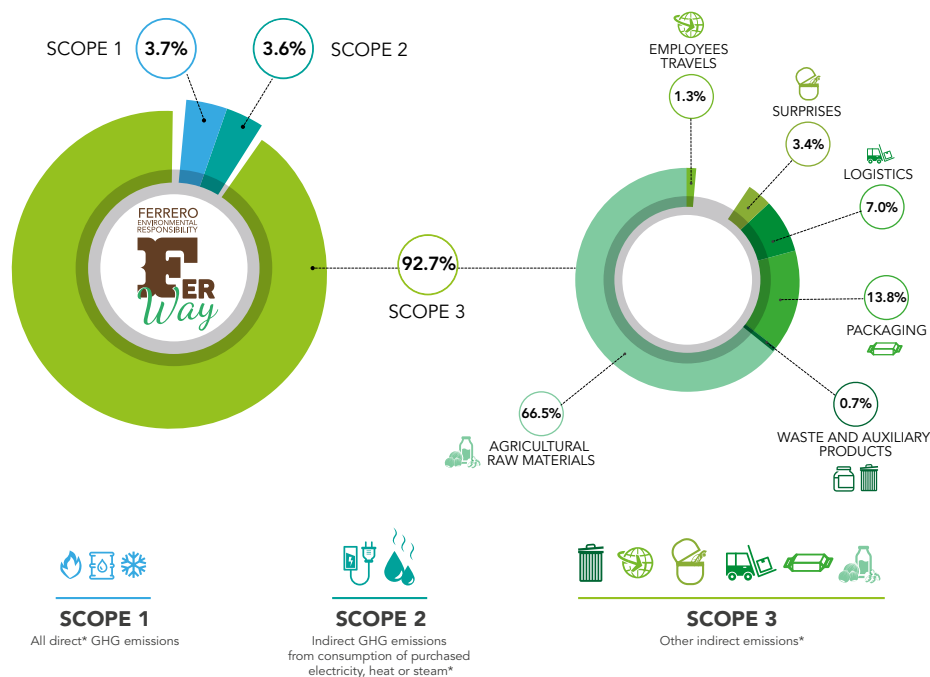
5. Defined by independent experts of the Carbon Trust as the “total quantity of CO₂ and other greenhouse gases release directly and indirectly by a person, organisation, event or product”.

6. In order to calculate the Carbon Footprint, the following standards and methodologies were used:

- the Corporate Accounting and Reporting Standard - GHG Protocol - developed by the World Resources Institute (WRI) with the World Business Council for Sustainable Development (WBCSD), to this day the most widespread accounting tool and carbon reporting standard across the world;

- the Publicly Available Specification PAS 2050:2011, based on the ISO 14044 standards and developed jointly by DEFRA, the Carbon Trust and BSI (British Standard Institute), focussing exclusively on greenhouse gas emissions during the life cycle of a product;

- ISO 14040 and ISO 14044 regulations concerning the Life Cycle Assessment (LCA) with relative Principles and Reference Framework, Requirements and Guidelines.



*GHG, Protocol, WRI, WBCSD definitions

The FER-Way project is based on the **Life Cycle Thinking (LCT) approach**, which considers the different stages of a product's life and their main impacts on the environment, also evaluating those not under the direct control of the Group. It is possible indeed to identify a personal or direct responsibility and a shared or indirect responsibility. The first one (including Scope 1 direct emissions and Scope 2 indirect emissions) is equal to 396,185 tonnes of CO_{2eq}, that is 7.3% of FY 2014/2015 emissions. The second one (Scope 3) is equal to 5,040,881 tonnes, that is 92.7% of the total emissions with the cultivation and production of agricultural raw ingredients as the main cause for the Group's footprint (66.5%)⁶.

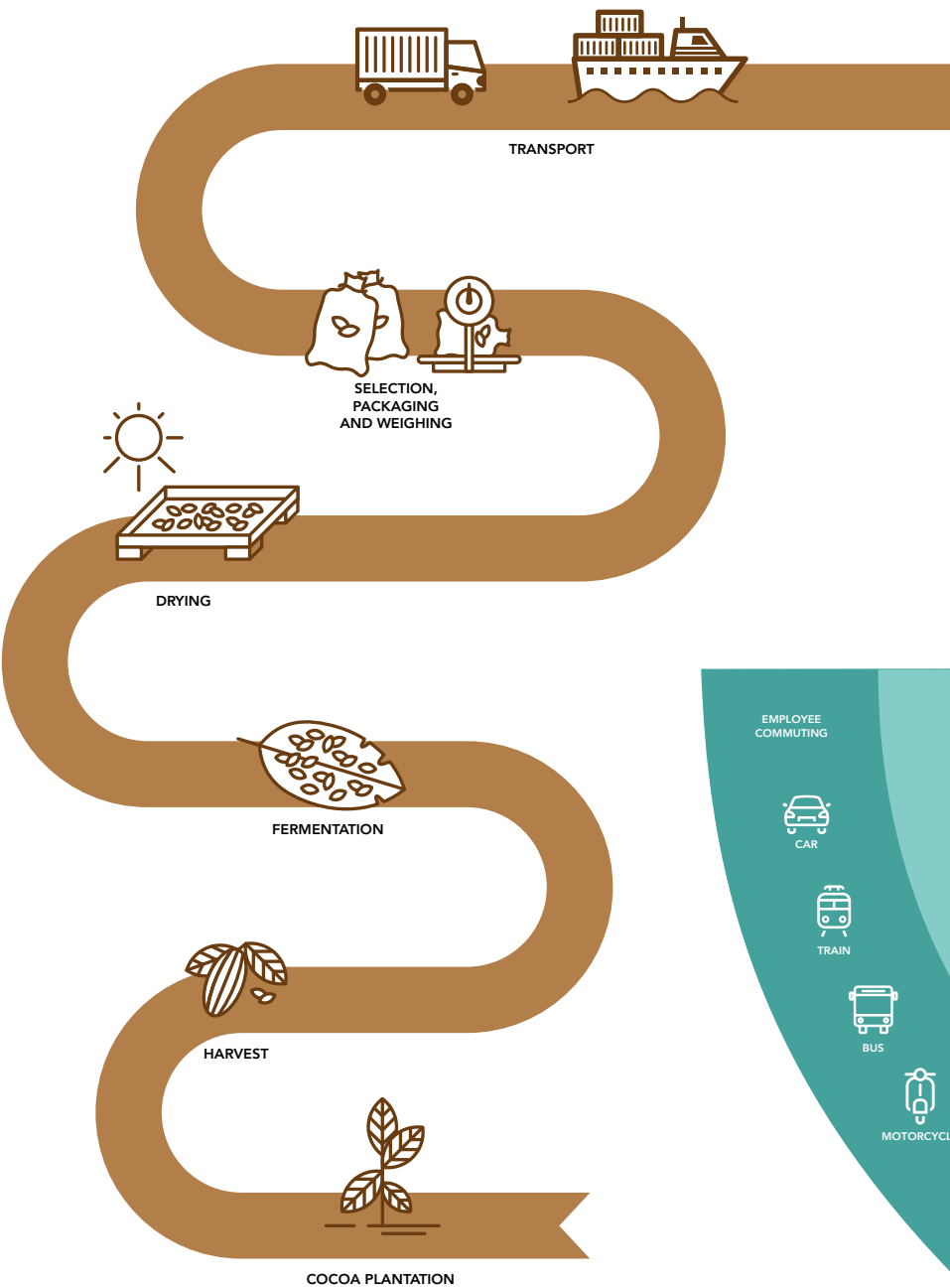
The Ferrero Group manages the collection and analysis of data through an **internal platform named SuRe** (Sustainable Reporting), a controlled environment that allows also the management and optimisation of the data flow and transfer. This report includes the environmental data of: the En-erghe company, 18 production factories⁷ with their 29 internal warehouses, the production and transport of KINDER® surprises, the transport of semi-finished and finished products, business travel of the main companies of the Group⁸, the warehouses directly managed by Ferrero (19) and, furthermore, from this year, all the warehouses (213) not directly managed by the Group and employees commuting⁹. The Group is still working on the inclusion of data relating to the transportation of the main raw materials from suppliers to Ferrero.

7. The plants in Cameroon and South Africa are excluded, together with the new plant in China and the Thorntons Plc plant in Alfreton.

8. Italy, Luxembourg, Germany and France.

9. The estimate for the Group was calculated based on a sampling investigation carried out on the Alba factory, which involved around 900 employees during FY 2014/2015. The investigation was carried out during the project “GHG inventory calculation methodology relating to the production of confectionery products. Case study: Alba factory - Ferrero Group”.

FER-WAY PROJECT MEASURED AREAS

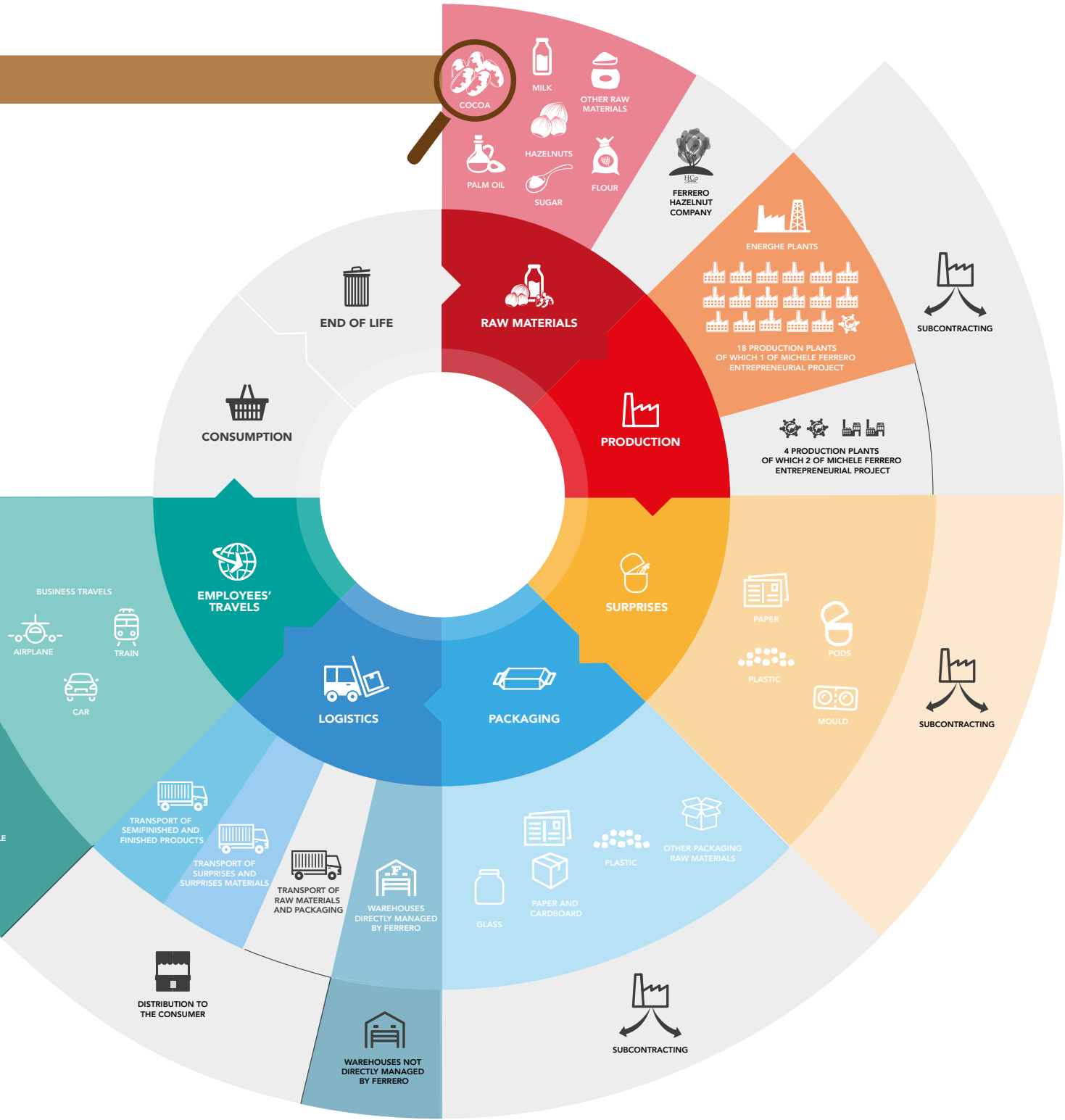


LEGEND

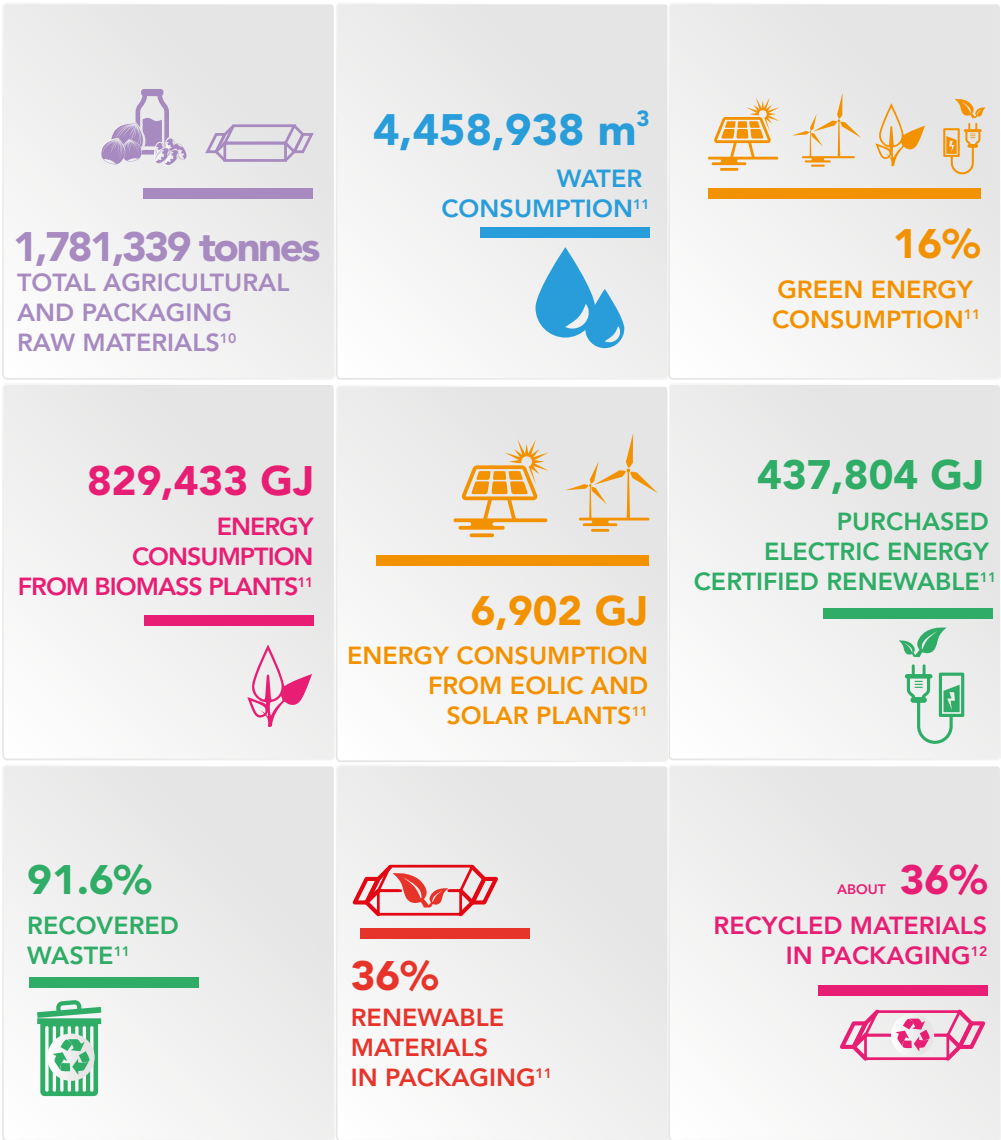


Included in the FER-Way project boundary

Not included in the FER-Way project boundary



KEY NUMBERS
FY 2014/2015



10. The total raw materials includes the quantities of: agricultural raw materials with the water used in the recipes for Ferrero products, packaging raw materials, raw materials for surprises, auxiliary materials for the production processes.

11. Data relative to the 18 factories and to the 19 warehouses within the scope of the reporting of this chapter.

12. The percentage is an estimate of the recycled material content compared to the total packaging materials consumption of the Group. For paper and cardboard, the calculation is an estimation based on the composition of the materials purchased; for rPET and rPP the value is the total.

THE FER-WAY PROJECT AND THE CIRCULAR ECONOMY

Over the last 150 years, the global economy has followed a linear production and consumption trajectory creating an ever-greater demand of natural resources. Given the expectations of growth for the world population, it is crucial to change the way of thinking and thus of producing and consuming. Therefore, a circular economy model, an economy planned to self-regenerate¹³, is replacing the traditional linear consumption model.

The Ferrero Group, aware of the implications of a scarce supply of resources for its business, **supports and promotes the development of a circular economy** through its FER-Way environmental responsibility project.

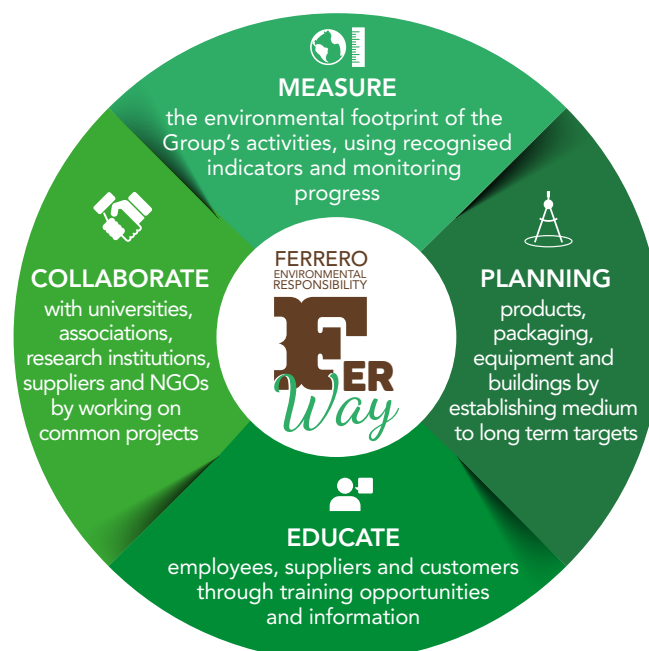
If it becomes clear that having a detailed snapshot of the impact and flows originating from the production of a specific product is crucial in order to evolve the system from the perspective of a circular economy, it is also clear that **measuring** alone is not sufficient and that collaboration with the different actors of the supply chain is fundamental.

For this reason, Ferrero is developing its responsibility project, also focusing its attention on topics such as the **education** of employees, suppliers and clients and the **collaboration** with universities, associations, research agencies, suppliers and NGOs on projects where it is possible to create shared value.

Only in this way, is it then possible to **plan** together to support a transition of the food industry towards the circular economy in order to:

- preserve and maximise the value of the resources and raw materials;
- use resources efficiently;
- promote the sustainable supply of raw materials.

13. The Ellen McArthur 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.”



TOWARDS A CIRCULAR ECONOMY: BEST PRACTICES

In order to incorporate the principles of circular economy into its activities, Ferrero started rethinking the management of some of its many resources - food ingredients, energy and packaging materials - **as cycles rather than as conventional linear supply chains**. On this course of action, collaboration is key, because nobody has all the answers and in order to be able to rethink the current systems, for example by giving value to materials that to date are destined for landfill, it is necessary to bring together actors with different skills and needs.

FOOD INDUSTRY CONTRIBUTION TO CIRCULAR ECONOMY



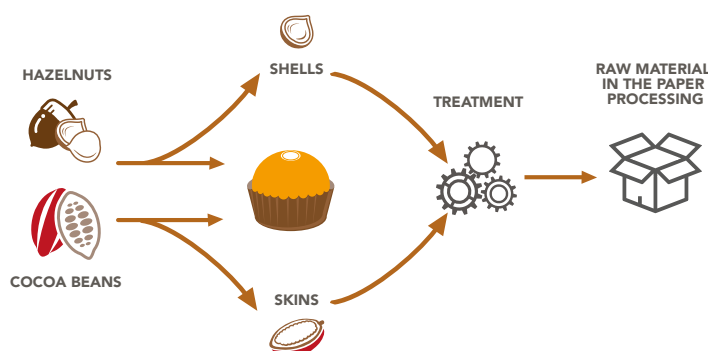


Raw materials

One of the main raw ingredients used by Ferrero in its products is the hazelnut, with the consequent generation of shells. In order not to limit ourselves to seeing this material as one to be disposed of, technological solutions are being tested, by working with different partners, in order to make the most of them as a resource. In fact some studies have already been completed on the use of hazelnut shells as raw material for the paper industry.

Eco°Paper project

"Eco°Paper" is the name of the project coordinated by Ferrero in collaboration with packaging companies Stora Enso Barcellona (Spain) and Papiertechnische Stiftung (Germany), to create a more sustainable and cheaper packaging by reusing the production residues of the hazelnut shells and cocoa beans.



The project has been developed partly with funding from the EU's Seventh Framework Programme for research, technological development and demonstration, under grant agreement no. 304337, within the Eco-Innovation initiative of the Competitiveness and Innovation Framework Programme (CIP).

The aim of the project was to ensure the quality of the raw material for the paper industry, partially substituting virgin cellulose fibres and reducing their environmental impact.

In 2011, during the laboratory phase in Italy and Germany, paper production methods were developed for the Eco°Paper, and in mid-2012 the methodology was transferred to a pilot plant with the aim of validating the benefit of the Eco°Paper project in an industrial setting. Currently industrialisation has not been started.

For more information and for the final report of the project, please visit the website <http://www.eu-ecopaper.com/>

Design



The environmental impact of a product or service is determined during the product/service design phase, because the entire life cycle of the product is connected to the design itself. It is indeed in the design phase that processes can be optimised, resources reintroduced into circulation or waste production avoided.

Within Ferrero, the Ferrero Engineering Department, which deals with the creation and purchasing of Ferrero machinery, has the objective, amongst others, to reduce the environmental impact of production. For this reason, during FY 2014/2015 it started to develop a verification system through spot checks for the main technical projects. The model, which is still being perfected, will bring about an integration of environmental sustainability aspects into the decisional processes as well as a raised awareness of the issue among all actors involved (from designers to suppliers).

The system, called GENESIS (energy management of factories and facilities), begins with the selection of projects with high investments or with significant energy consumption analysed from an energy perspective. The aim is to improve the choices to be made during the planning phase to obtain a reduction in the consumption and environmental benefits.



During this first year of implementation, at least three projects, with significant economic implications for the Group, were analysed.

Modernisation of the cooling tunnel line at the factory in Canada

Cooling tunnels have the role of preserving and, sometimes, optimising the features of the confectionery product processed, limiting its reduction in weight as much as possible, guaranteeing the conservation of its shape, no surface damage and minimal traces of conveyor belt on the product. For many confectionery products, such as chocolate, coated products and Easter eggs, the cooling tunnel is the last stage before packing. It is an important process that allows the product features to be optimised; in particular, this operation is essential for

chocolate and chocolate-containing products to ensure their shininess, that their fat content does not rise to the surface, and that important aspects for the product quality, such as crunchiness, remain unaltered.

During 2015, in order to satisfy greater production needs in the Canadian factory, it became necessary to modify the performance of the final cooling tunnels for the Rocher line after coating and before packing. The modification operation entailed a complete revision of the machinery. In the new system, some tabs were inserted in the air passage area, capturing cold air and promoting the cooling of the dividing partition, and consequently, by direct contact, of the product. The hot product is led inside the tunnel by a conveyor belt that runs on a surface cooled by the circulation of forced air at low temperature. Some modifications were also made to the evaporation and ventilation system, with the consequent reduction in the dispersion of energy through the modulation of the opening of the valve used to introduce the air. Furthermore, thanks to a simple counterweight system, the different movement of the covers of the new tunnel made the opening and closing system lighter, thus making their cleaning and inspection easier and safer. From a circular economy perspective, it is important to emphasise the design of the system based on the use of cold glycolated water at -21°C , already present in the factory.



The different innovative devices adopted (cold air tabs; cooled surface for the movement of the product, defrosting control through dry air; use of glycolated water, already present in the factory; control of the cooling power supplied; control of the running temperatures inside the tunnel during production; return of cooling air outside the tunnel) have led to an improvement in production and quality efficiency with the consequent 30% energy savings.

Production



The concept of circularity can be expressed in an even more evident and practical way during the actual production phase. It is in this phase, under the more direct control of the companies, that it is possible to radically change the way of working, involving companies that normally operate separately into a shared system. Indeed, this approach allows the exchange not only of material resources (by-products or waste), but also of waste energy, services and expertise. This is a strategy for closing the resource cycles and optimising their use within a specific local economic context¹⁴. Thus, this industrial symbiosis is a salient feature of an industrial system marked by functional interdependence in which waste products become a precious input for others, thus modifying the traditional concept of waste, as "the materials that are exchanged [...] are never wasted at any point of their existence, instead they are always economic goods"¹⁵.

The Group has been active in the field of research for several years, also through European funded projects, to produce energy and new packaging materials through the use of both food by-products of its own factories and of other biomass types not belonging to its direct supply chain.

Sibafeq project

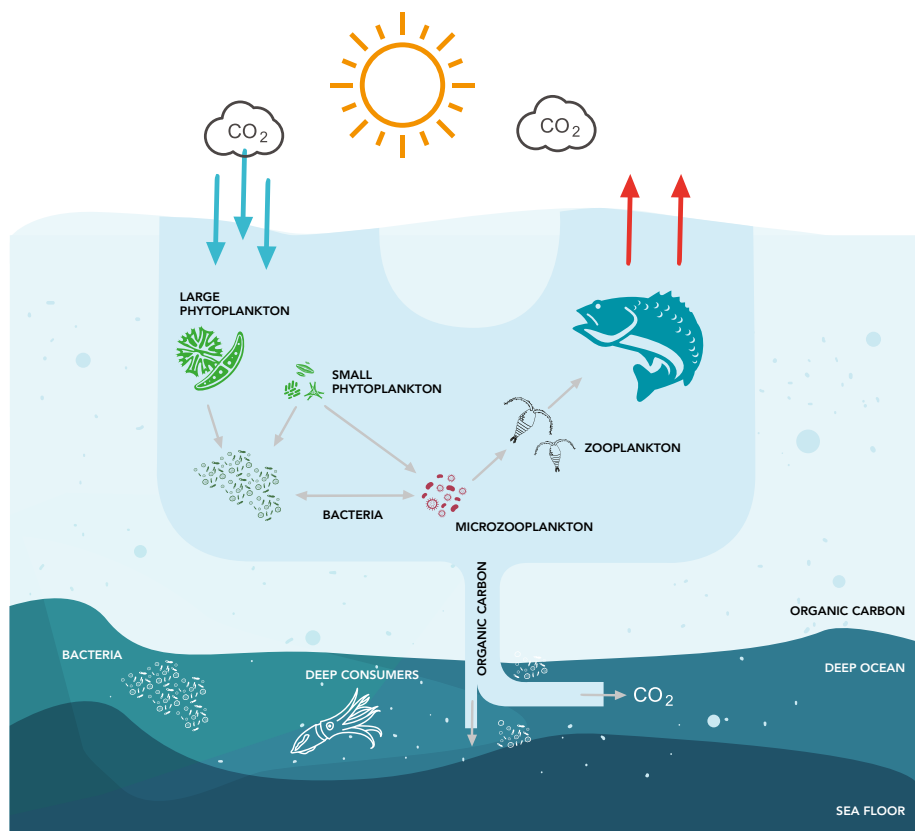
The Sibafeq project (Integrated use of algal biomasses in an energy supply chain of high quality) has seen the Ferrero Group take a leading role, in collaboration with CNR (Consiglio Nazionale delle Ricerche), the Biomolecular Chemistry Institute in Pozzuoli (Naples) and PMI, Ferrero's supplier for the plants in the South of Italy. It was co-sponsored by the Ministry of Education in the context of the National Operative Program (PON) "Research and competitiveness", with the contribution of the European resources of the European Regional Development Fund (FESR) and was showcased at Expo Milano 2015.

The entirely Italian research project employs a renewable natural resource - sea phytoplankton of diatomaceous algae - for the production of biomasses from which energy and biofuels can be generated. Indeed, plankton is one of the great energy drivers on Earth. The microscopic organisms that make up plankton absorb nearly a third of global carbon dioxide and are at the base of the marine food chain, providing sustenance directly or indirectly to all organisms that live in the sea and in the oceans.

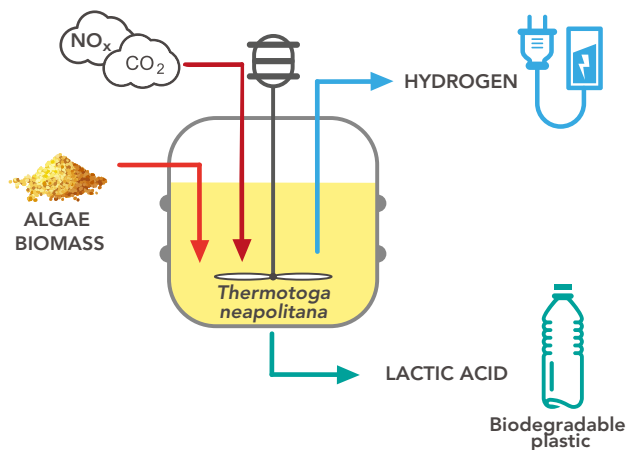
From a qualitative perspective, the research project aims to establish a process by which bio-oil can be used as fuel for diesel engines and bio-hydrogen for the production of electricity by fuel-cells, through the

14. Cutaia and Morabito, 2012.

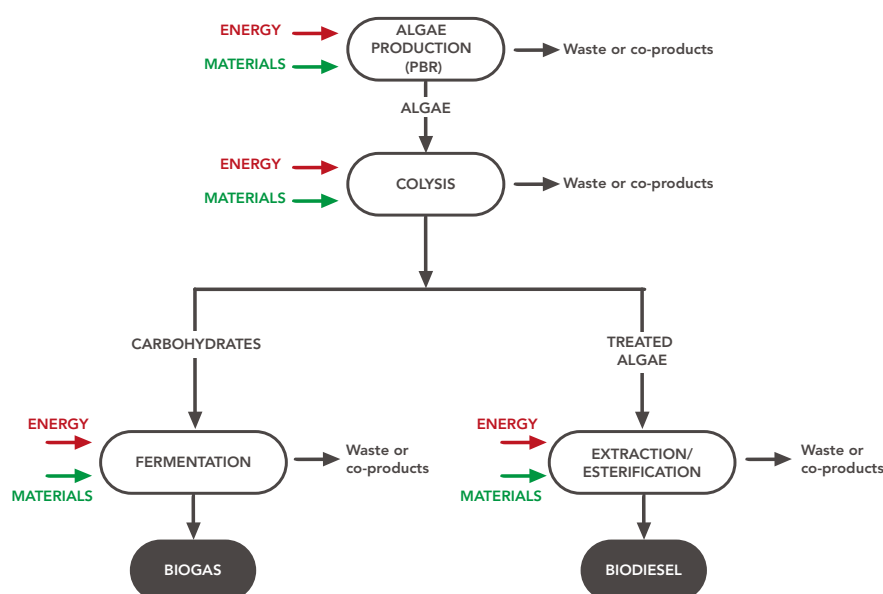
15. Di Fidio, 1995.



growth and fractionation of microalgal biomass. Algal biomasses will also be used for the absorption of CO_2 and NO_x , produced by combustion in power plants from fossil source and the production of nano-structured silica to be used in the photovoltaic panel industry. The first objective is a first contribution to energetic self-sufficiency and to environmental improvement. The second objective is important from a strategic perspective for Italy in affirming its position in the renewable energy sector.



During the research, led by 15 young researchers, a technological station was set up in Campania, based on a flexible and cheap technology for the production of micro-algae and their by-products. In Palomonte, in the province of Salerno, and in the Ferrero factory in S. Angelo dei Lombardi, a prototype plant has been created that generated 20,000 litres of culture by the end of the project, and is destined for experimentation and production in the field of microalgae and as a technologically advanced process for biomass transformation.



The experimentation ended in December 2015 and has already obtained several practical and probably applicable results. These include the creation of a process for the enzymatic treatment of algal pastes to favour the release of components as well as the possibility to experiment with the transformation of water soluble residue from the processing of micro-algae in order to produce hydrogen and lactic acid through a patented microbiological treatment. The biomasses obtained through the large-scale cultivation of micro-algae also constitute the raw material for the production of biofuels and compounds with a high energy content.

For more information, please refer to website <http://www.ponrec.it/open-data/progetti/scheda-progetto?ProgettoID=5242>



Consumption

The transition towards a circular economy requires the participation and effort of all stakeholders, especially consumers. Over the past years, Ferrero has tried to promote its involvement through educational activities, with regard to both consumption (through the issue of portioning) and the correct disposal of the packaging of its products.

Ferrero End-use labels

The Ferrero Group has already been active for several years in the education of consumers regarding the identification of the packaging materials used in its products. The "**end use**" label was created with the objective of helping consumers in the correct sorting and disposal of packaging after products are consumed. The label has already been applied to the Italian Estathé brand, from 2013, and has subsequently involved the NUTELLA® brand, for which the label has been applied in some European countries.

The KINDER® brand also decided to participate in the project, publicising its end use information for the majority of its products and sizes by the end of 2016. Consumers will be able to discover the nature of KINDER® product packaging thanks to the information that will be published on the Kinder.com website as a brochure. KINDER® has always stood out for its small individually wrapped portions and small packaging sizes; for such reason, the internet site was a necessary choice to ensure the readability of the information, and provide information for a greater number of products.



Waste

In order to meet the need to create a development model based on the reduction of natural resource consumption and on the minimisation of waste production, many of the materials that previously were only considered as products to be disposed of and throw away are now part of a virtuous cycle, and are now qualified as "product".

SPE project

The SPE (Scraps of the Packaging Evolution) project was launched in FY 2012/2013 in the main European factories. Its aim is to develop a feasibility analysis, to make the most of the packaging scraps from Ferrero's production sites, as well as launch actions to replace the virgin materials in Ferrero's packaging and equipment with recovered materials without compromising the performance required of the packaging.

For example, production waste generated by the Estathé production lines in Alba have been the source of secondary raw materials for the creation of handling trays within the factory. During FY 2013/2014, 180 tonnes of trays were manufactured, 70% of which were made with recycled plastic originating from scraps from the production line, for a total of 126 tonnes of recycled material.

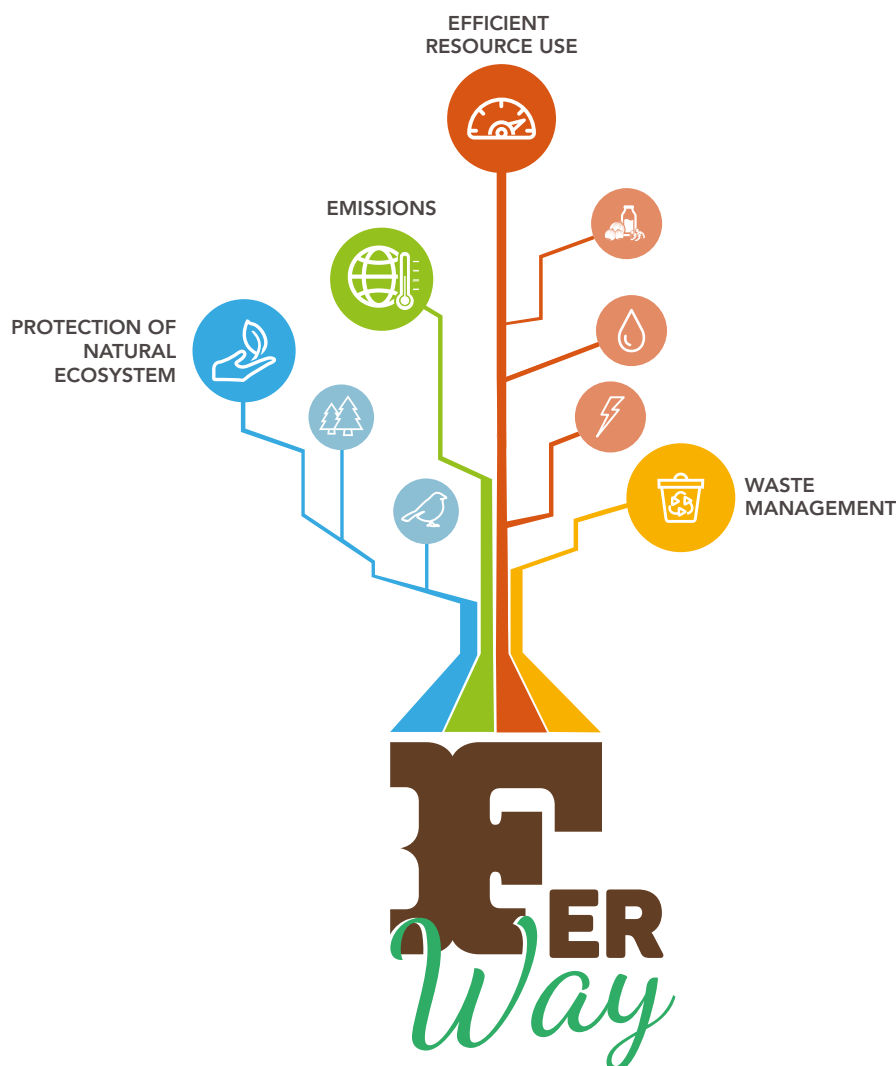


A further example includes the reintroduction of scraps from the KINDER® Joy production lines into Ferrero's traditional packaging. A virtuous cycle is created in which the waste is first sent to a Ferrero supplier, transformed into secondary material granules and then used in the production of the brown base of Rocher exhibition stands, which is thus composed of 95% of regenerated material (the remaining 5% is the colour). During 2014 (calendar year), around 70 tonnes of such granules were produced, with a twofold benefit: in FY 2013/2014 there was a reduction in the factory waste production and a reduction in non-renewable virgin resources equal to 40 tonnes: the remaining granules were used in FY 2014/2015.

The collaboration activities in the factories continue to produce results, with the example in FY 2014/2015 of the production of plastic trays for Tic Tac® multi-packs from the polypropylene (PP) scraps originating from Tic-Tac® boxes made in the Cork factory. This has led to a saving of 25.55 tonnes in the last three years.

FERRERO4FUTURE (FERRERO FOR FUTURE)

In the context of the FER-Way project, the **Ferrero4Future Framework** was created: four areas of action upon which the Ferrero Group is working in these years to launch itself towards a more sustainable future.



16. This report provides the figures relating to water consumption, waste production, energy consumption and CO_{2eq} emission relating to 18 production sites and 19 warehouses directly managed by the Group and placed in Europe, America, Asia and Oceania, representing the near totality of the FY 2014/2015 production. The new plant in China and the Thorntons Plc plant in Alfreton are excluded.

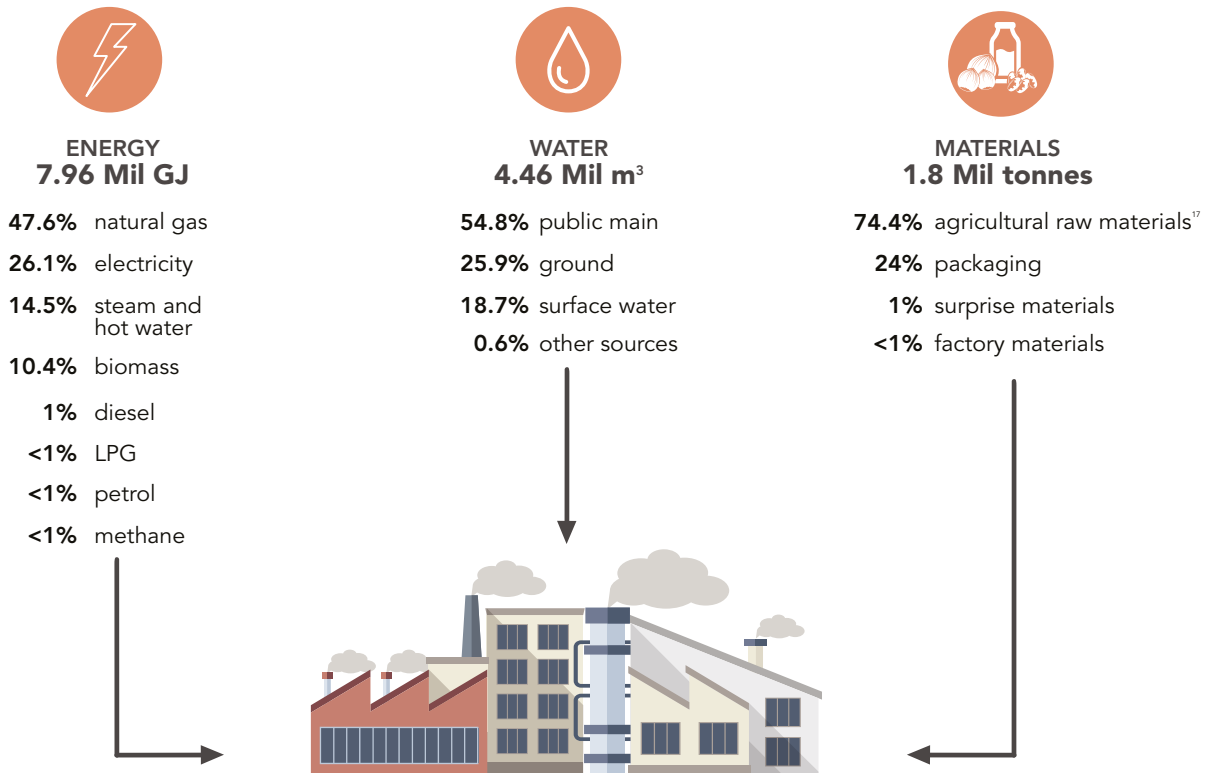
1. Efficient resource use



Resources are a precious asset for Ferrero, and **it's important to use them responsibly**. Resources such as water, energy and packaging materials are available only in limited quantities, for such reason Ferrero is working to reduce their use along the production chain of its products.

Consumption and impacts of the Ferrero Group¹⁶ are measured on an annual basis from 1st September to 31st August.

FY 2014/2015 FERRERO GROUP'S CONSUMPTIONS



Raw materials

AGRICULTURAL RAW MATERIALS

In order to preserve and maximise the value of the resources used in the production of food products it is crucial **to ensure that raw materials are produced responsibly**.

For such reason, as extensively illustrated in the previous chapter, sustainable supply roadmaps have been defined by the Group for the main raw ingredients. Palm oil, paper/cardboard¹⁸, cocoa, hazelnut¹⁹, sugar and coffee are linked to internationally recognised certifications and guaranteed by third parties.

In addition, LCA studies have been

set up for the first six agricultural raw materials of the Group. The project, which will end in August 2018, will enable Ferrero to have accurate data on the environmental impact of the production of its agricultural raw materials, and, once the most critical areas of each material are identified, launch projects allowing a more efficient production system.

So far, studies have already been initiated on Turkish hazelnut plantations, on Italian dairy farms, on the main European sugar Ferrero suppliers, and a study on palm oil was also started in FY 2014/2015.

17. The total agricultural raw materials amount includes the volume of water used in the recipes of Ferrero products.

18. For more information on paper certification, please refer to the following paragraph "Packaging materials".

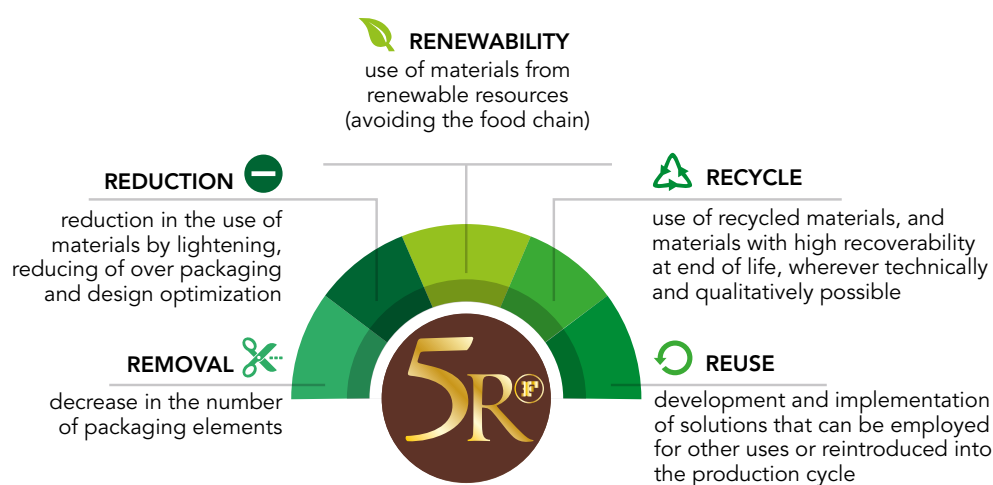
19. As for hazelnut, given that to this day there is no internationally recognised sustainability certification, the supply chain roadmap is focussing on the complete traceability of the supply chain, as illustrated in the previous chapter.

PACKAGING MATERIALS

Product packaging is crucial in order ensure quality, prevent food waste and communicate with the consumer. The wrapping of Ferrero products is made from different categories of materials, such as glass, paper and cardboard, plastic and aluminium²⁰. Also in FY 2014/2015, glass appears to be the most used material in terms of weight, with more than 160,000

tonnes, followed by cellulose components (paper and cardboard), totalling to around 140,000 tonnes.

For a correct packaging design, it is crucial to optimize the variables that influence the overall environmental profile of the packaging. For this reason, **Ferrero has been adopting for many years the so-called 5R Strategy.**



Here follow some FY 2014/2015 projects²¹ in which the application of the 5R Strategy can be seen:

"Removal"

With a view to redesign and eliminate packaging elements, experimentation on the packaging of the KINDER® Gran Sorpresa Easter egg in Germany was launched. The design revolutionised the concept of the egg, substituting traditional elements (neckband, ribbon, flame of the egg) with graphics on the aluminium film. In addition, the display tray has also been designed in order to optimise the transportation and display phase, eliminating the need

for an additional egg holder to be placed inside the film.

"Reduction"

The continuous efforts of the Ferrero design team to optimize the packaging have allowed the reduction in the thickness of the paper-based display of KINDER® Surprise in FY 2014/2015, resulting in an annual saving of around 30 tonnes, as well as the reduction in the thickness of Tic Tac®'s sleeve film with a saving of around 800 kg.

20. List of materials used in terms of decreasing weight on the total.

21. The values shown are an estimate calculated on annual budgeted volumes.

"Renewability"

In line with the objective of packaging renewability, the Group continues to focus its efforts on the different design areas where expected performance and specifications of different packaging allow the use of materials from renewable sources without compromising its performance. In FY 2014/2015, for the new B-ready product and KINDER® Cards biscuits, paper-based boxes were used, meaning that around 850 tonnes of materials came from renewable sources. The Ferrero Group is also active in the search for new plastic materials from renewable sources.

"Recycling"

Last year, in one of its activities devoted to caring for the environment, Ferrero successfully experimented with the substitution of label support material in order to facilitate its recycling, in its Cork factory. The project aim was to substitute the label support, normally made with silicone paper with another PET film. In addition to having facilitated the recyclability of the packaging, the replacement of the material also allowed a reduction in weight of the material used as support. Indeed, the PET film weighs nearly 50% less than the standard support and this has allowed a reduction in the materials used by 60 tonnes.

Furthermore, the Group continues to experiment and adopt recycled material in its glass, paper and aluminium packaging, within the families of plastics in for secondary packaging, contributing to the reduction in the use of virgin materials. During FY 2014/2015, the recycled material content of the Group was equal to 36% of the total material used.

"Reuse"

The reuse of packaging has always been one of Ferrero's concerns in the packaging design: the NUTELLA® glass for instance, over the years has become one of the brand's symbols. Some of the latest packages devised to have a different specific role at the end of their "first" life, such as sales packaging, include these examples from the world of KINDER® Surprise.



The packaging is part of the so-called secondary reuse; once it exhausted the primary task of protection and transport of the products, the packaging can be used as a showcase for the fleet of aircraft, contained in the egg surprises, to be discovered and built.

SURPRISE RAW MATERIALS

Toys are an essential part of some of the Group's products, and for this reason **Ferrero's behaviour and actions are all based on a responsibility towards all children**, main representatives and builders of our planet's future.

For several years an environmental impact assessment has been carried

out in relation to the production and transportation of KINDER® product surprise toys in order to adopt the most appropriate choices from a perspective of reduction in the consumption of materials and reduction in emissions, taking into consideration every aspect of the value chain.



In light on this, from 2013, the manual painting of KINDER® surprise toys has been replaced by an innovative printing system that ensures a reduction in the quantity of varnish and solvents used during production and dispersed into the environment. In parallel, the machinery is being upgraded, with the aim of improving its production efficiency and reduce consumption.

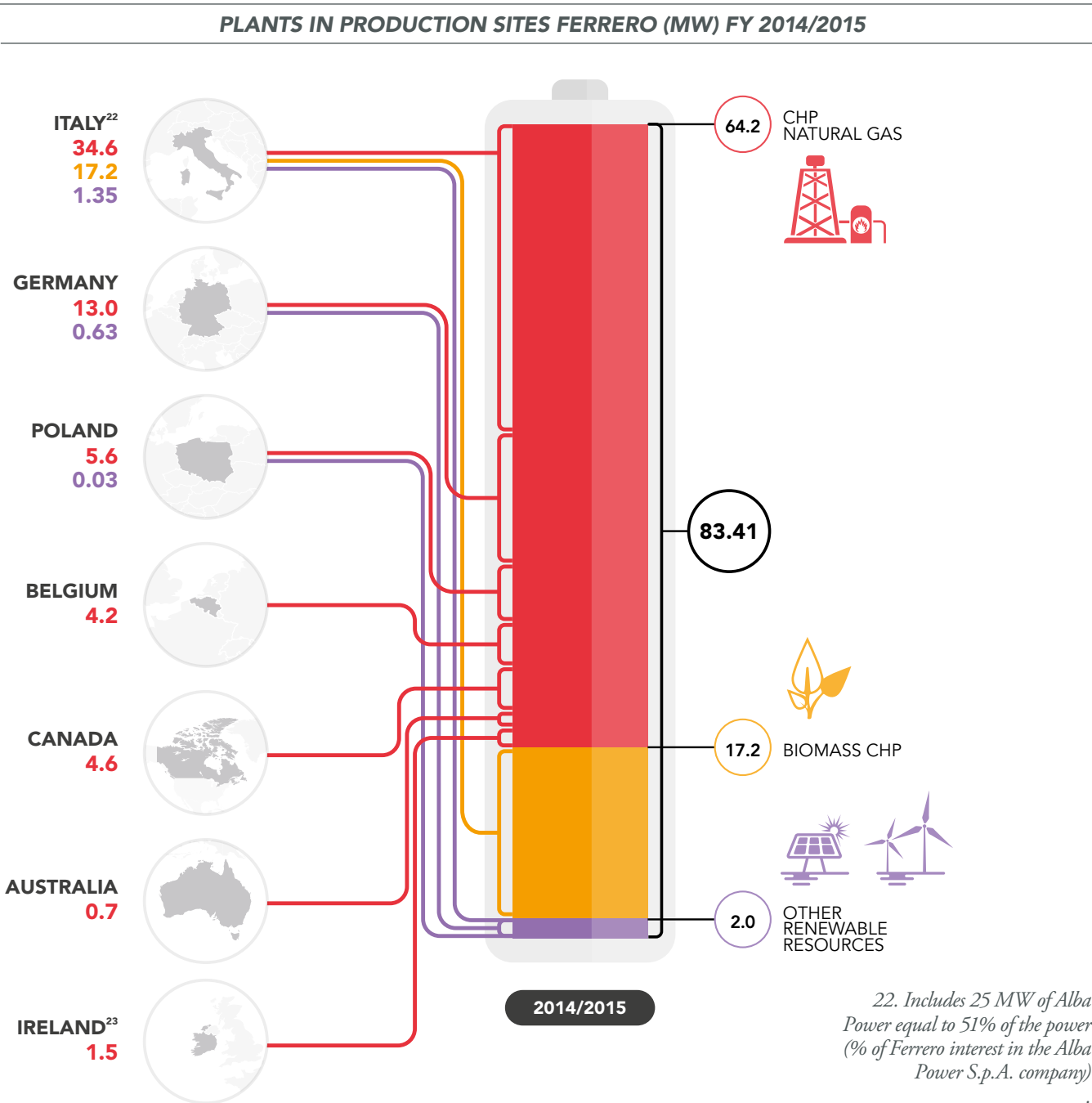
Energy

Ferrero's value chain approach to energy is developed in three directions:

1. self-production;
2. renewable energy;
3. energy efficiency.

1. SELF-PRODUCTION

From 2007 to this day, thanks to the installation of the Cork factory in Ireland in FY 2014/2015, the Group has gone from three to eleven cogeneration plants, all of which are classified as high-efficiency plants. The following table gives the electric power in MW, subdivided by country and by source, of the plants currently in operation or under construction as of the date of publication of this report.



In FY 2014/2015, this allowed the Group to self-produce²⁴ an amount of energy equal to 60% of the overall energy requirements of the factories and thus also reduce emissions.

²⁴. This figure includes the energy produced in excess and sold to the grid.

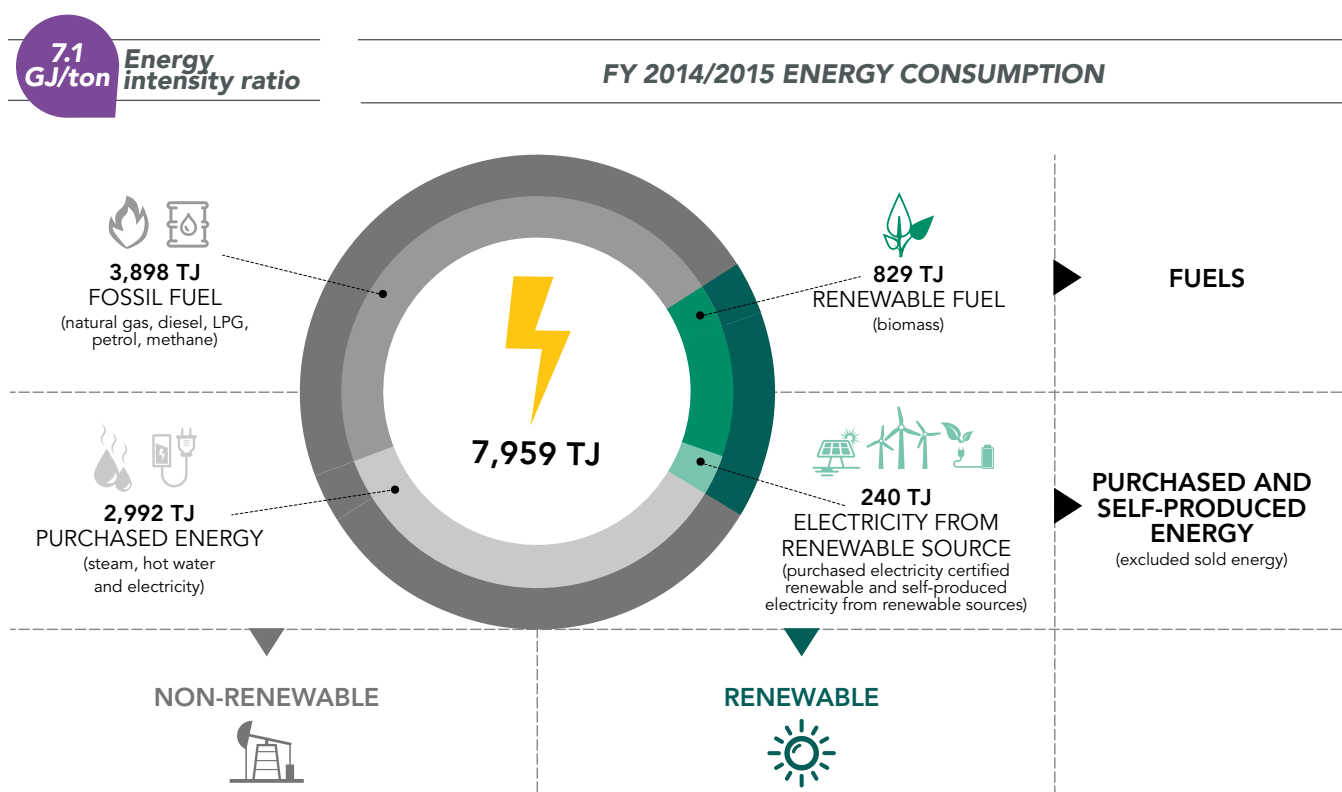
2. RENEWABLE ENERGY

In FY 2014/2015, more than 22% of the installed self-production power derived from plants fuelled by renewable sources.

The development of generation projects connected to renewable energy have become particularly complex due to the new energy policy of some EU countries, the uncertainties in the authorisation procedures as well as to the sensitivity of some local communities with regard to landscape impacts. In such context, the Group's research nevertheless continues and in particular in the field of the production of energy from liquid plant biomasses, not in competition with the food sector.

3. ENERGY EFFICIENCY

The Group's energy consumption is necessary to create the products and their related services. The use of electricity and gas represents more than 70% of the total energy consumption of the production sites and of directly managed warehouses.



Lowering energy consumption and managing energy efficiently today are inescapable actions in order to preserve the raw materials needed by the Group. For this reason, a continuous reduction in consumption and the rational use of energy are pursued within production operations, adopting best practices and identifying specific improvements. Below, variations in energy consumption are given in comparison with the past year.

ENERGY CONSUMPTION

	UM	FY 2013/2014	FY 2014/2015 ²⁵
Energy intensity ratio	GJ/ton	7.07	7.1
Total energy consumption	TJ	7,560	7,959
Total fuel consumption	TJ	4,444	4,727
- from non-renewable	TJ	3,706	3,898
- from renewable	TJ	738	829
Total electricity consumption (electricity sold excluded)	TJ	1,952	2,078
- from renewable ²⁶	TJ	252	240
Steam or hot water consumption	TJ	1,165	1,154

The Group's energy²⁷ has gone down by 0.7%, on a like for like basis.

The improvement in energy efficiency is the result of multiple actions at different levels; **one level pertains to the dissemination of energy efficiency culture and another more technical level to the harnessing of the positive effects of some of the technical projects** put in place in previous years.

As for what concerns the dissemination of culture within the Group, a variety of activities have been carried out, in particular:

- concerning the professional family of "energy managers", established at the end of 2014, work groups have been put in place across factories, meeting every two weeks to attain economic, energy and environmental benefits by sharing problems and solutions.

The three macro-objectives shared by all professional families within the Group (professional and development path, exchange and sharing of best practices and knowledge building) have been articulated into five specific objectives within the professional "Energy" family:

- energy as an "ingredient" of the product/dissemination of an energy culture;

- development of an Energy Management System compliant with ISO 50001;
- network between plants - adoption of communal and shared work tools;
- growth in expertise in the energy efficiency sector;
- definition of standardised methods to attain the aims of energy efficiency (in collaboration with the Ferrero Engineering Department);

- "energy management teams" have been set up in every factory, promoted and guided by the energy manager to support the implementation of a policy for the reduction in the Group's energy consumption;

- awareness raising and training initiatives are carried out at various levels for staff. For example, in the factory in Alba an environmental sustainability appointed delegate has been put in place for each UGP and each non-productive area that, dealing more specifically with energy and environment, acts as a populariser and collector of ideas (antenna) towards the management team; at the Stadallendorf plant the project "Four seasons" is underway. Every

25. Data relative to FY 2014/2015 compared to those of FY 2013/2014 include data for the warehouse that are directly managed by the Group. Therefore, it is necessary to take into consideration such limit to the comparability of the two periods.

26. Both purchased electricity certified renewable and self-produced electricity from solar and eolic plants are considered, excluded sold energy.

27. The index is calculated based on tonnes produced in the reference years.

three months, the project schedules training on a specific theme connected to energy; in FY 2014/2015, the selected focus was dedicated to the four phases of product manufacturing process: preparation, moulding, packaging and maintenance;

- The first international European energy manager workshop took place in March 2015, at the Stadtallendorf plant (7 participating countries), with the aim of sharing ideas and technical solutions, discussing the Group's ISO 50001 certification project, sharing approaches to raise awareness and encourage involvement, as well as creating a shared base in approaching energy management. The conclusions of the event can be summarised by quoting an excerpt of the final minutes "We talked about how a variety of actions can contribute to achieve a change in people's mind-set" [...] "the workshop showed the various participants different approaches to energy efficiency and on how to implement and improve energy management systems across the various factories".

As for what concerns the second level, several technical projects have been set up, such as the following examples:

- the installation of more efficient chillers;
- the improvement of air conditioning systems in production departments;
- the improvement of processes linked to heat recovery systems;
- the insulation of piping transporting hot fluids;
- the rationalisation of steam and compressed air distribution networks, with a constant focus on the search for and elimination of losses;
- the automation of the operation of energy uses, to ensure that consumption corresponds to the actual needs;
- the replacement of electric engines with high efficiency ones;
- the replacement of fluorescent lamps with LED lamps;
- the extension of systems for the measurement of energy.

In the following table some examples of energy efficiency actions are given, implemented in the factories that contributed to the result of the year under review.



ACTION	EXAMPLES OF ENVIRONMENTAL BENEFITS
Production of cold fluids Replacement of a refrigerant with a more efficient one	Measured savings in FY 2014/2015 from the date of operation (6 months): 183,000 kWh of electrical energy; Annual savings expected in a large factory: >300,000 kWh of electricity
Production of cold fluids Improvement in the management of the cooling station and in the balancing of the cold distribution network	Yearly savings measured in a small factory: 88,000 kWh of electrical energy
Production and distribution of cold fluids Substitution of chillers with centralised cold production for the process lines	Savings measured on two production lines in 8 months: around 350,000 kWh of electrical energy
Compressed air Campaign aimed at the research, the elimination of losses and the control of the compressors	Yearly annual saving expected for a small factory: around 100,000 kWh of electrical energy
Lighting Replacement of fluorescent lamps with LED lamps	Savings measured over 8 months in a production department: more than 9,000 kWh of electrical energy
Management of electricity utilities Timing control of power supply systems	Yearly savings measured in a service area: 59,000 kWh of electrical energy
Heat recovery Recovery of thermal energy from the production process	Savings measured over 8 months on a production line: 317,000 kWh of thermal energy

During the year, **Green Weekend activities continued and expanded**, contributing to the efficient results obtained.

Based on an analysis of the trends in the energy consumption indicators for the factories and of the information arisen from the energy check-ups on the most significant consumption areas, a mid-long term energy efficiency plan is in the setup phase (GrEEEn MaP: "Group Efficiency-in-Energy Master Plan"), as part of some focus meetings conducted in pilot factories. The plan constitutes a reference for the definition of operational guidelines for the factories and is organised in two main areas of action: **technical operations and integration**. Technical operations are: energy check-ups, targeted investments and expansion in the installation of energy measurement systems; the main pillars of integration are energy managers, the Group's ISO 50001 certification and the actions in pilot factories. The priority action within the plan, at least in its first phases, will be the production, distribution and use of cold fluids.

As for what concerns the ISO 50001 certification project, it continues to develop according to the plan originally set out. In FY 2015/2016, the external audits took

place in the two factories in Stadtallendorf and Villers-Écalles, locally certified; by July 2016 the multisite certificate was obtained for five factories as a first step: Alba, Arlon, Cork, Stadtallendorf and Villers-Écalles. In relation to the certification project, the commitment to conducting and updating the factories' energy check-ups continues. These provide a snapshot of the energy transformation and consumption, allowing the identification of the main energy users and suggestion of possible improvement actions.

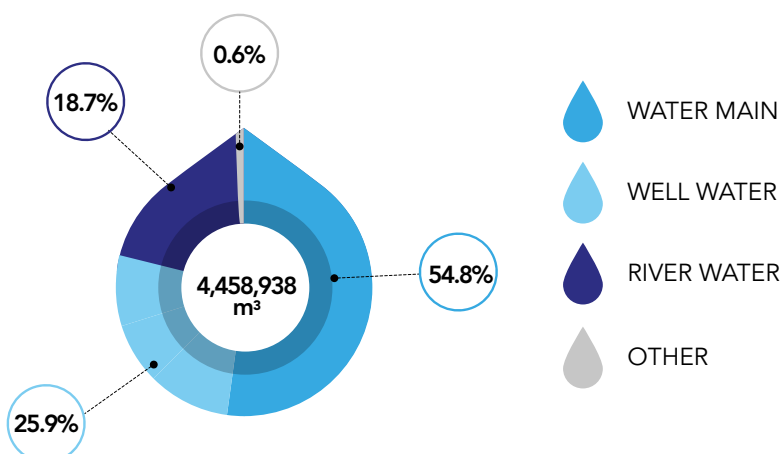
Water

During the Group's production processes, water is employed for various purposes:

1. use in the product;
2. industrial and technological use;
3. civil use.

3.98
m³/ton **Water**
consumption ratio

FY 2014/2015 WATER CONSUMPTION



The Group's commitment to the reduction in water consumption led to a further reduction in the water consumption index²⁸. Variations compared to last year are given below:

28. The index is calculated based on tonnes produced in the reference years.

29. Data relative to FY 2014/2015 compared to those of FY 2013/2014 include data for the warehouses that are directly managed by the Group. Therefore, it is necessary to take into consideration such limit to the comparability of the two periods.

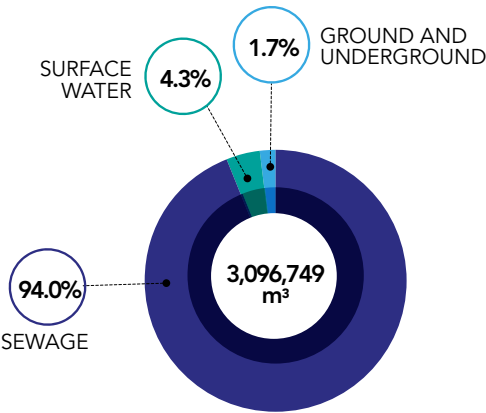
	UM	FY 2013/2014	FY 2014/2015 ²⁹
Water consumption ratio	m ³ /ton	3.91	3.98
Water consumption	m ³	4,180,654	4,458,938
% from water main	%	54.7	54.8
% from well	%	26.7	25.9
% from river	%	18.6	18.7
% from other sources	%	0	0.6

The water consumption index per ton produced was reduced by 1.4% compared to the previous year on a like for like basis. Indeed, operations have been carried out to improve the efficiency and reduce the scale of washes during processing, some water and fire prevention networks have been renovated and projects to gather and use rainwater have been launched.

There are different techniques used to reduce water consumption, and, as in the past, efforts have focused on improving cooling circuits, eliminating losses from supply networks, optimising existing plants and implementing well-established water saving techniques, such as Cleaning in Place (CIP) washing systems, installing automatic dispensers and adopting cooling systems with water recirculation (e.g. cooling towers).

The water collection source is chosen, where permitted by the legislation and by the hydrogeological features of the site, according to criteria that minimise the impact on the environment and on other users.

WASTE WATER FY 2014/2015



	UM	FY 2013/2014	FY 2014/2015
Waste water	m³	2,924,624	3,096,749
Sewage	%	93.1	94.0
Surface water	%	5.4	4.3
Ground and underground	%	1.5	1.7

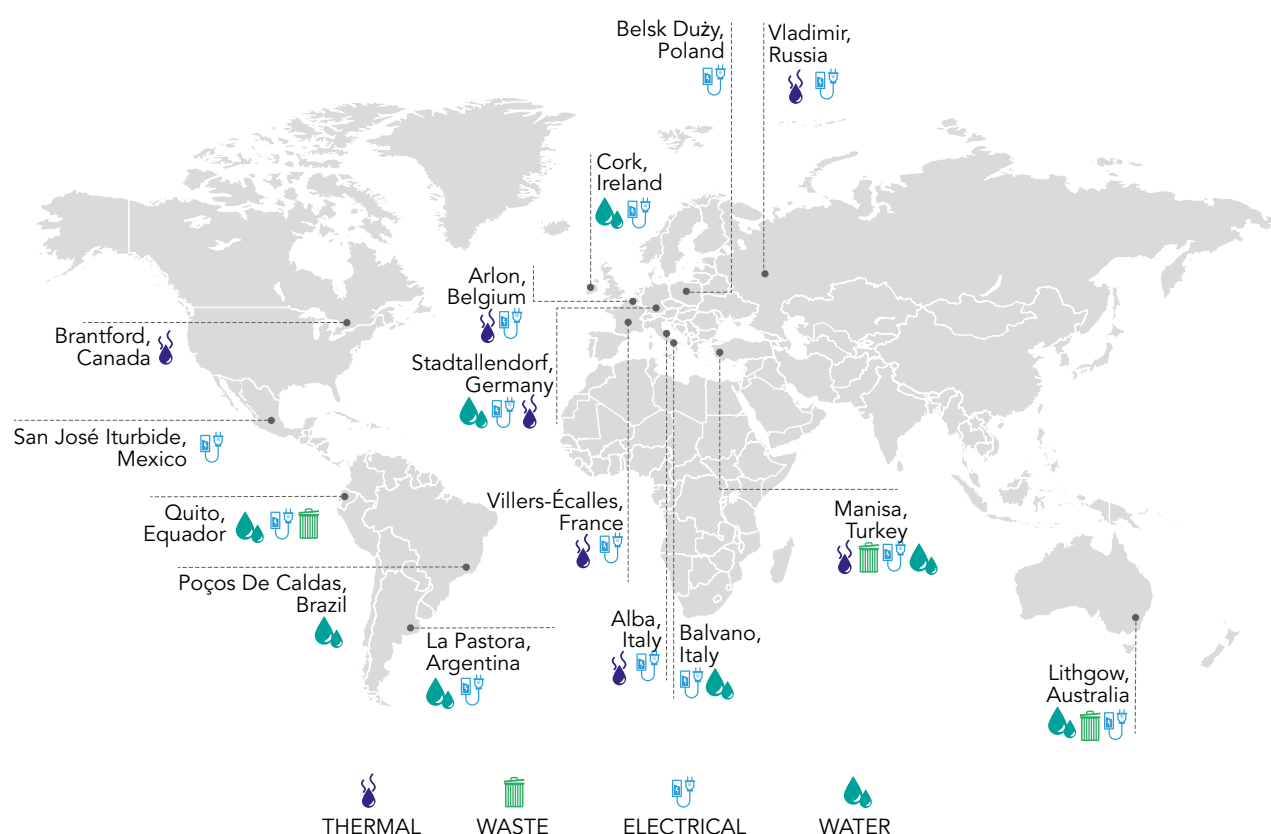
Wastewater is continually monitored and 94% of its volume is sent to a sewage system, after more or less complex pre-treatments or treatments, in accordance with local regulations and specificities. Where possible, treatment is outsourced. The advantages are clear: compositional characteristics often improve the treatment performance of external systems (often public), the consumption of chemical products within the

factories drops and aspects relating to hygiene improve. Constant effort is dedicated to reducing the contents of polluting substances in wastewater, finding alternative or more efficient washing methods, recovering raw materials from washes, training cleaning personnel on the correct doses of product to use and installing automatic dispensers, selecting ecological products.

Environmental activities of the plants

This global overview is aimed at showing the breadth of the Group's efforts to improve environmental indicators and whilst representing significant projects at a local or Group level in four main areas:

- **Electricity usage reduction** – e.g. LED light installations, new absorbers, installation of light sensors;
- **Thermal energy usage reduction** – e.g. rationalisation of the steam network, efficiencies of the cooling system;
- **Waste reduction** – e.g. recovery programs, staff training, expansion of the waste collection area, waste reduction thanks to the installation of machinery;
- **Water reduction** – e.g. purchase of more efficient machinery or process modifications with consequent reduction in the number of machine washes.



The Ferrero Group concretely commits to the reduction of environmental impacts, especially with its processes, and has therefore given itself the aim of obtaining the **ISO 14001 certification for the Group**,

for all its plants and for all warehouses managed directly. Such voluntary regulation requires the company to implement an "Environmental Management System" based on continuous improvement and prevention,

and provides guidelines for the definition of environmental objectives and for the implementation of a plan to reach them.

At the end of 2015, with the attainment of the certification by the Russian plant of Vladimir in June and of the plant of Poços de Caldas in Brazil in November, fifteen production plants have already obtained the certification, falling within the multisite certificate that now covers more than 95% of the Group's production. By the end of 2017, the certification will cover the production plants in Mexico (San José) and Turkey (Manisa)³⁰, and, by the end of 2020, the plants of Baramarati, Walkerville and Yaoundé and all directly-managed warehouses.

The environmental management certification has now been accompanied by a Group ISO 50001 energy certification³¹.

With reference to the Group certification, as presented in the previous reports, there has been an extension of the program called **P.I.X.A. (Program of Internal eXchange of Auditors)**, aimed at favouring communication, integration and exchange of know-how and best practices within the Group. The program allows the participation of engineers, coming from plants that are different to those being audited, or by head office managers working in the field of environmental sustainability in internal environmental audits. In the second year of its implementation, 16 ISO 14001 audits were performed, of which 3 were integrated with the ISO 50001 energy audits. The 16 audits performed saw the participation of 21 cross auditors.

2. Emissions

CO_{2eq} emissions from production



The Group wants to grow as a business with low emissions; for this reason, in order to reduce its impact, it measures and manages its Carbon Footprint, aiming at technological innovation and collaboration and focusing not only on the impact of its business but also on the impact of the entire value chain³².

In 2014, the Carbon Footprint³³ of the core business operations for the period running from 1st September 2014 to 31st August 2015 was measured using the WRI/WBCSD Greenhouse Gas Protocol.

The emissions of CO_{2eq} deriving from the production activities and from the warehouses directly managed by the Group (Scope 1 and Scope 2), are equal to 384,728 tonnes in FY 2014/2015.

30. The planning for the addition of the new plant of Hangzhou in China, which started in FY 2015/2016, within the Group's multisite certification, will be evaluated in the next years.

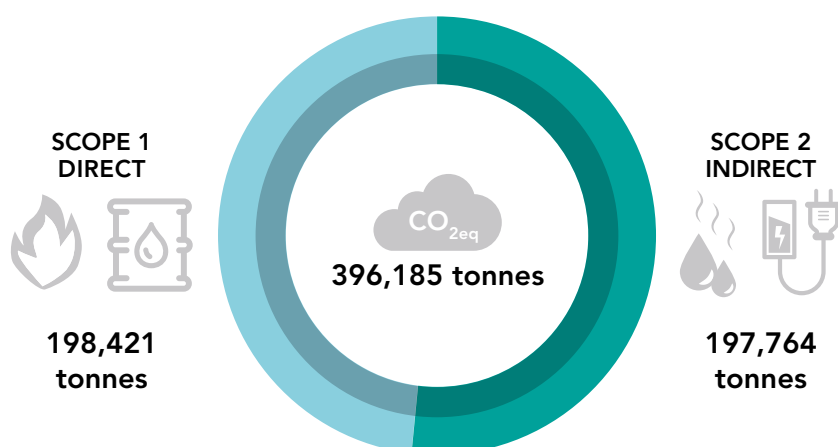
31. For more information, please refer to the paragraph "Energy efficiency" in this chapter.

32. For emission data referring to the entire value chain, please refer to paragraph "the Fer-Way project".

33. The emission coefficients used correspond to the data from IPCC 2013, GWP 100aV1.01. The electricity emission coefficients are those of IEA 2011 and 2013 (International Energy Agency). Self-production from renewable sources and supply of electricity from markets certified as renewable do not contribute to greenhouse gas emissions.

354 kg
CO₂eq /ton
Emission
ratio

FY 2014/2015 CO₂eq EMISSIONS



With reference to the 2020 objective to reduce CO₂ emissions derived from production activities by 40%,³⁴ one can observe an emission index increasing by 1.3% compared to the previous year, on a like for like basis.

Variations compared to last year are given below:

	UM	FY 2013/2014	FY 2014/2015 ³⁵
GWP emission ratio	kg CO ₂ /ton	337	354
Total emissions	ton CO ₂	360,580	396,185
Scope 1 emissions	ton CO ₂	187,349	198,421
Scope 2 emissions	ton CO ₂	173,232	197,764

Program for the environmental impact assessment Case study: Alba factory



Ferrero Group and the Italian Ministry for the Environment Land and Sea signed a voluntary agreement for the promotion of a joint project entitled "GHG inventory methodology for the production of confectionery products. Case Study: Alba factory – Ferrero Group".

34. The index is calculated based on tonnes produced in the reference years.

35. Data relative to FY 2014/2015 compared to those of FY 2013/2014 include data for the warehouses that are directly managed by the Group. Therefore, it is necessary to take into consideration such limit to the comparability of the two periods.

The aim of the project was to evaluate and reduce the Greenhouse Gases emission in the production processes of confectionery products. The project was launched and completed in 2015.

The project has foreseen:

- to share and validate the GHG inventory methodology according to international and recognized protocols such as "WRI/WBCSD GHG protocol"³⁶ and "UNI ISO 14064-1"³⁷ in relation to the production of confectionery products;
- to share and validate the Ferrero emission management system with the purpose of reducing them;
- the application of the Scope 1 and 2 model on historical records starting from the year 2003;
- an overview of the Ferrero on-going action strategies to reduce the GHG emissions, and the identification of additional economically efficient action in the production processes object of study.

The aim of the project developed in the Alba Factory was to validate and improve the current methodology in order to refine the Ferrero Group emission management system and identify new strategies for the reduction of greenhouse gasses emissions.

The GHG inventory have shown how one of the main sources of greenhouse gas emission is the energy consumed in the production lines. The action strategies that can be implemented in order to reduce emission deriving from energy consumption are on one hand management activities ("Green Weekend" project) and on the other hand technological activities mainly targeting process systems, lighting and air conditioning.

For this project, Ferrero SpA obtained an ISO 14064-1:2006 certification, issued by Bureau Veritas Italia SpA, third party and independent verification body operating at international level.



36. The Greenhouse Gas (GHG) Protocol of WRI/ WBCSD (World Resources Institute/ World Business Council on Sustainable Development) is the most used emission accounting tool at an international level by Governments and by business leaders to understand, quantify and manage their greenhouse gas emissions.

37. UNI EN ISO 14064-1:2006 specifies the principles and the requirements, at the level of organisation for the quantification and accounting of Greenhouse Gas (GHG) emissions and of their removal. It includes the requirements for the audit of the Greenhouse Gases inventory of an organisation.

In relation to the emission of cooling gases, the trend shows a halving of both indicators linked to the leaking emissions of gases used in the cooling systems, ODP (Ozone Depletion Potential, i.e. the potential distribution of atmospheric ozone due to the introduction of a substance in the air, given in terms of R11 equivalents, gas with an ODP equal to 1) and GWP (Global Warming Potential, i.e. the contribution to the greenhouse effect by a cooling gas released into the atmosphere, given in CO₂ equivalents). Cooling gas losses do not appear significant and therefore their impact is limited. In any case, preventative maintenance operations for circuits containing cooling gases continue.

FY 2014/2015 REFRIGERANT GAS EMISSIONS

ODP

95
kg R11_{eq}



GWP

11,410
tonnes CO_{2eq}

CO_{2eq} emissions from logistics

Efforts to improve and consolidate the figures pertaining to Group logistics continue. Further steps have been taken within the context of the LODICO (LLogistics Data Improvement COllection) project, started in FY 2012/2013. In fact since FY 2014/2015, the mapping of warehouses managed or not managed by the Group has improved: for the first time, the Group's impact has also included the 213 warehouses that are not directly managed.

In FY 2014/2015, emissions deriving from the transportation and storage of goods are equal to 400,097 tonnes of CO_{2eq}. This figure is not comparable to the one given in the previous report because it includes the over 200 warehouses not managed directly by the Group.

Furthermore, during FY 2013/2014, a project was launched for the construction of simplified models to calculate the transportation of the main agricultural raw ingredients and packaging. The data is still being checked and verified and will thus be included in the next reports.

The activities aimed at the environmental improvement of Group logistics are based on three pillars:

Reduction in mileage and increase in capacity utilisation.



Europa project

The Europa project for the optimisation of European transport connections continues, with the consequent reduction in distances travelled. The Polish warehouse will be operational at the end of 2016 and the first advantages in terms of reduction in mileage will be noticeable by the end of 2017. The building of the new German warehouse will allow the number of shuttling trips to be reduced by 5%, with an estimated reduction of more than 450,000 km.

Italy

The rationalisation of delivery to the points of sale is on-going, through the "Corriera" project. It is estimated that the project has allowed a reduction by 7% in the km travelled for transport purposes between FY 2012/2013 and FY 2014/2015.

Thanks to the future implementation of our new Transportation Management system, the delivery rounds will

be optimised. In fact, in the future it will be possible to organise the delivery itinerary according to the specific point of sale and no longer to the entire municipality.

France

On 20 May 2015, in occasion of the world summit Business & Climate, Ferrero France signed, together with other nine companies (Air Products, Carrefour, Coca Cola Enterprises, Fleury Michon, Jean Hénaff, Orrion Chemicals Orgaform, Placo Saint-Gobain, Groupe Renault e SCA) the voluntary commitment agreement FRET 21. It is a commitment with different French Public and Professional Bodies to reduce CO_{2eq} emissions generated from transport of products over a period of three years. The actions to be taken focus on four areas: percentage of load, distance travelled, means of transport and sustainable purchases.

Selection of transportation with a lower environmental impact.



Germany

Ferrero Germany decided to substitute the previous diesel vehicle for transport within the factory with a new electric lorry. The modification leads to a two-fold advantage; from the point of view of innovation, it allows the reduction of noise, as the electric engine is much quieter, from an environmental perspective, it allows a reduction in emissions (in six months of use, CO_{2eq} emissions were indeed reduced by 14 tonnes).

Energy savings in the directly managed warehouses.



Poland

Various equipment has been installed during the construction of the new warehouse in Poland, in order to save energy and monitor energy use:

- the traditional lighting installation within the silos building has been replaced with LED lighting, with a saving of 343 MWh per year, compared to standard lamps³⁸;
- stacker cranes have been fitted with an optional electronic module allowing the engine to be used also as an energy generator; by returning part of the energy to the other elements to which it is connected, electricity consumption is reduced by around 15%;
- meters have been installed to analyse the flow of output energy to

optimise industrial processes;

- advanced systems have been installed to manage the consumption within buildings (BMS - Building Management System) and for the environmental monitoring of temperature and humidity (EMS - Environmental Monitoring System) in order to optimise the consumption of electric and thermal energy;
- use of the free cooling system to cool the water used in industrial process or in conditioning plants, by harnessing external low temperature air to assist the traditional chiller, with a consequent energy saving.

38. For this calculation, a constant lamp use has been assumed, 365 days a year, 24 hours a day.

The Group has set itself the objective of achieving the ISO 14001 certification for all storage sites under direct management by 2020. As of 31st August 2015, around 50% of storage sites managed by Ferrero were ISO 14001 certified. A completion plan has been devised for the remaining warehouses, which will see the certification of three Italian warehouses already from FY 2015/2016.

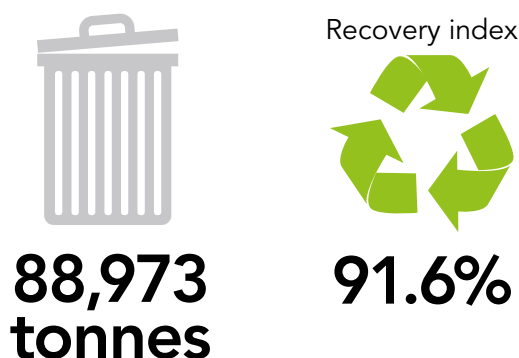
3. Waste management



In line with the Group's policy for the **general reduction of waste and the better management of the production chain**, and in keeping with the views of the European Union in favour of increasing the quality of recovered waste, the two main intervention areas of the Group's production plants on the issue of waste concern a reduction in waste production in absolute terms and the recovery index.

FY 2014/2015 WASTE PRODUCTION AND RECOVERY INDEX

Waste
production
ratio **79.5
kg/ton**



	UM	FY 2013/2014	FY 2014/2015 ³⁹
Waste production ratio	kg/ton	64.17	79.5
Total waste	ton	68,576	88,973
% waste recovery	%	91.6	91.6

On a like for like basis, the Group's waste⁴⁰ production index has increased also this year (+20.4%). The main causes are to be found in specific operations such as accounting changes from by-products to waste for some categories of materials, specific disposal not directly related to the production phases. An example of this includes the waste removal of obsolete machinery and moulds or extension work in certain factories. The Group has thus decided to pro-

ceed with a more in depth analysis of the issue. In parallel, training and awareness raising activities for staff continue, and will increase.

The FY 2014/2015 saw the continuation of several activities aimed at reducing waste from its origin and at researching increasingly efficient solutions for the sorting of materials within and outside the production factories, as demonstrated by the increase in the recovery index by 0.7%.

39. Data relative to FY 2014/2015 compared to those of FY 2013/2014 include data for the warehouses that are directly managed by the Group. Therefore, it is necessary to take into consideration such limit to the comparability of the two periods.

40. The index is calculated based on tonnes produced in the reference years.

The following figure provides the distribution by weight of the different type of waste recovered in the 18 production factories.

FY 2014/2015 TYPE OF WASTES RECOVERED BY WEIGHT



Dangerous waste corresponds to 2.5% of the total waste, which is generated by manufacturing activities and by analysis and control (chemical, physical, microbiological) activities.

In the year under review, no significant spills or incidents took place in any of the 18 factories considered.

4. Protection of natural ecosystem



The business of the Ferrero Group, as part of the global ecosystem, can generate impacts through its direct activities or along the supply chain. It is very important, once the ecosystem elements involved are identified, to **actively conserve them**. In particular, for a food company like Ferrero, **biodiversity, deforestation and use of the soil are certainly key aspects**.

Biodiversity

The 20 Ferrero factories are not located in any protected or highly biodiverse areas, nor do they have significant environmental impacts on such areas. The investigation was conducted through an in-house analysis⁴¹ and, only for European countries, with the use of the European Environmental Agency (EEA) website. The only instances of protected area found were adjacent to Ferrero factories (less than 2 km). Ferrero is not aware of any activities there 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 Fußgeweid	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.

41. The analysis includes the 21 Ferrero factories active as at August 31st 2015. Such analysis has been updated including the new Chinese plant.

Deforestation

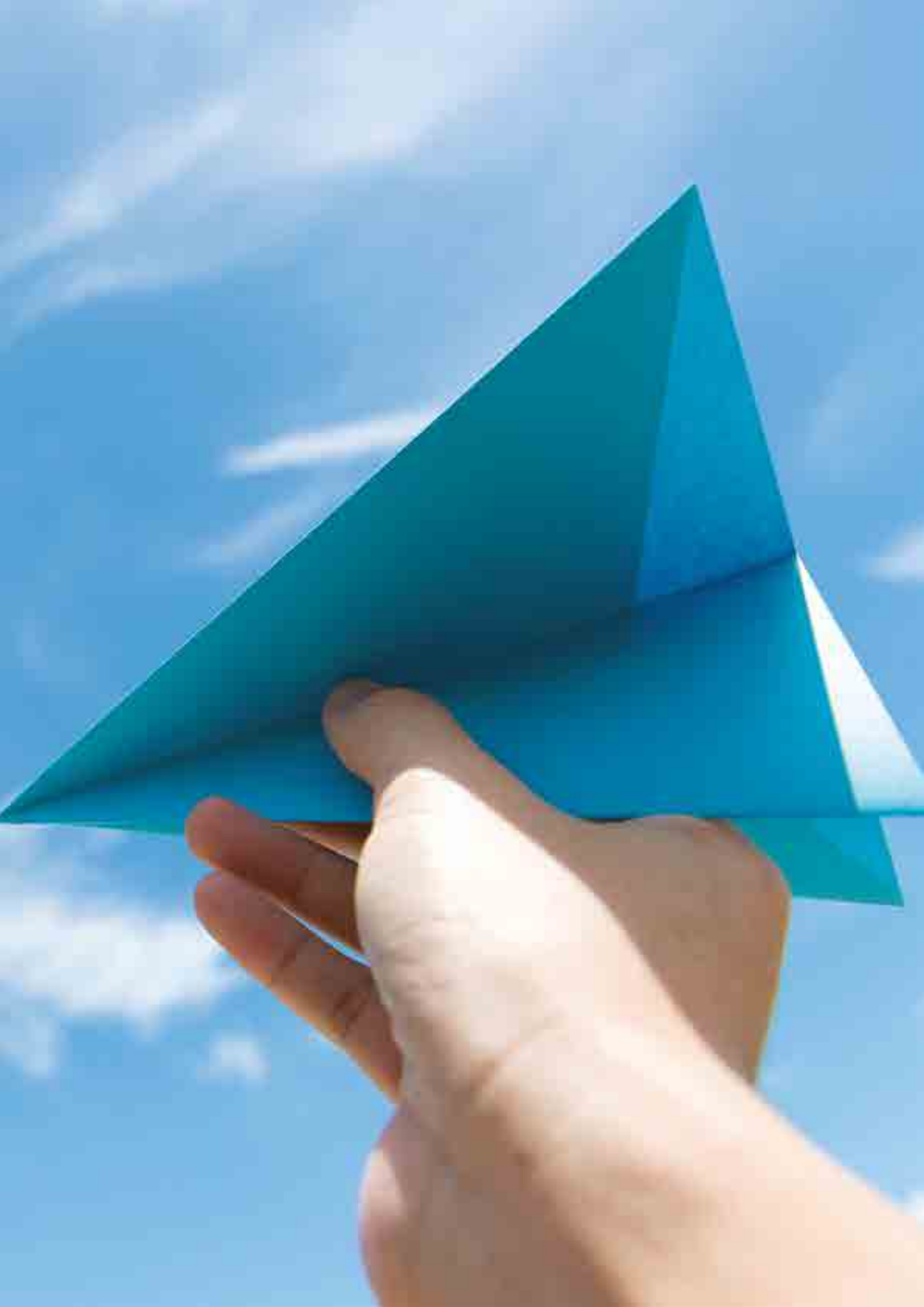
Deforestation is one of the biggest causes of the release of greenhouse gases into the atmosphere, contributing to up to 15% of global greenhouse gas emissions. Indeed, the world's forests preserve an enormous quantity of carbon in the soil, which can be estimated at around 500 billion tonnes, of which the great majority is located in the tropical rainforests. The main deforestation driver is commercial agriculture, fuelled by the growing demand of key products.

For this reason, the Ferrero Group, with the aim of fighting the problem of deforestation, **has subscribed to the New York Declaration on Forests during the Climate Summit** organised by the UN in September 2014. The declaration is a voluntary political commitment arising from the dialogue between governments, firms and civil society with the aim of halving the loss of forests by 2020 and stop it by 2030.

Knowing the origins of its raw materials is the first step to stop the deforestation process; for this reason, for the past few years the Group has been concentrating its efforts on a few of the raw materials that are considered more responsible for the problem. In particular:

- the Group has been a member of the Palm Oil Innovation Group (POIG) since November 2015. POIG's vision has the same striving for innovation that in November 2013 **led Ferrero to launch its own Palm Oil Charter**, in collaboration with its suppliers, to tackle the main causes of deforestation and create a balance between the preservation of the environment, the need of the community and economic benefits and feasibility;
- by the end of 2017, the Group has committed to reach the objective of obtaining its supply of virgin paper and cardboard from a certified sustainable supply chain. Since the end of 2014, all the virgin cardboard has come from a certified supply chain. Certification is a tool to promote responsible forest management, both from a social and from an environmental perspective.

Stoos



TIC TAC®

Tic Tac® is much more than just candy, it is a **way of hanging out together and sharing fresh and happy moments**. It was introduced in 1969, the year of the Woodstock event and of the first man on the moon.

It is not by chance that Tic Tac® was created at a time of exciting innovation: in fact, at the time it was a truly rebellious and revolutionary product. It went against conventions of the time and was able to create a completely new category.



**TIC TAC® TRIGGERS
REFRESHING
MOMENTS**

The original name was “refreshing mint”, but consumers soon began playing with the “flip top” package, and identified the product with the characteristic “tic” sound on opening the pack and “tac” sound on closing it. Hence, the **original and onomatopoeic brand name: Tic Tac®**.

Generation after generation, Tic Tac® has gained the favour and trust of millions of consumers all around World, who still today, after more than 40 years, choose the freshness of these famous pills. Tic Tac® is now sold in more than 70 countries around the world and represents one of Ferrero’s most widespread brands.

Tic Tac®’s success is based on the balance between **refreshment** (the most functional aspect, connected to the freshness of the pill from the menthol flavours) and **enjoyment** (Tic Tac® is fun, it represents a happy moment, through its surprising fruit flavours). This duality has enabled Tic Tac® to create strong brand values that are recognized by the global consumer.

New products were subsequently added to the classical Tic Tac® range, such as: Tic Tac® Breeze (the Tic Tac® sugar-free range), Tic Tac® Mixers (the first

Tic Tac® pill which changes flavour as it melts in the mouth) a series of new, all-year-round and seasonal flavours, always conceived to respond to the modern consumer's different and specific demands.



EACH PERSON ON THE EARTH CONSUMES ABOUT 8 TIC TAC® A YEAR.

Every year Tic Tac® produces 55 billion pills and this number is bound to rise!

Every year **more than 400 million people** around the world decide to take a break choosing the playful freshness of Tic Tac®



Tic Tac® global annual consumption could fill
4 Olympic swimming pools 50 meters long



By placing side by side all the Tic Tac® boxes bought in the world in one year you can get the same distance of travelling **coast to coast from New York to Los Angeles for 9 times**



By stacking all the packets of Tic Tac® sold in one year **you could reach the height of about:**



TIC TAC® FLAVOURS

The great classics, Mint and Orange, have made the history of Tic Tac®, but during the last years, **many other mint and fruit flavours** have been added with great success.

The new Tic Tac® flavours stem from a direct observation of global tendencies and consumer preferences. On the basis of these indications, filtered through the Tic Tac® core values, different concepts and flavours are created in the Soremartec labs in Alba, Italy.

Subsequently, different phases of qualitative and quantitative research

involving the consumer are conducted. This research entails the evaluation of not only the flavour, but also of the whole product concept (colours, graphics, packaging, name, communication...).

By always keeping the consumer at the centre of the innovation process, year after year, Ferrero has increased its consumer-orientated research, through qualitative, quantitative and behavioural analysis, aimed at gaining greater familiarity with them and finding what they need and like.



THE PRODUCTION'S FOUNDING PRINCIPLES

Today Tic Tac® is produced and packaged in 9 plants: Alba (Italy), Cork (Ireland), Belsk Duży (Poland), Brantford (Canada), Quito (Ecuador), Poços de Caldas (Brazil), Walkerville (South Africa), Baramati (India), Lithgow (Australia).

It is the particular production process that makes Tic Tac® so unique.

Basic technology, commonly used in the pharmaceutical industry, is required for the production of a small pill. During the coating process, this pill, known

to our technicians as “the soul”, the heart of the product, is coated with hundreds of layers of sugar, alternated with aromatic layers, forming the crunchy outer layer and transforming the pill into a comfit. In the same way that the oyster turns sand grains into a pearl, the particular Tic Tac® production process, which takes about 24 hours, transforms a simple pill into a unique and inimitable product.

Tic Tac®’s peculiarity is **the aroma that is released from the outside to the inside**. It is the hundreds of layers which form the product that make such a small pill aromatically evolve in such a surprising fashion. The classic Mint, for example, consists of three different flavour sensations: vanilla on the outside, sweet mint on the inside, and a more intense mint flavour in the middle. Finally, the pills are meticulously selected.



INGREDIENTS

All ingredients used in Tic Tac® products are meticulously **selected and monitored from their production to their delivery to the plants and final use**, respecting precise standards and quality control systems in transport, conservation, and freshness.

Tic Tac® standards are rigorous, they guarantee the highest quality and respect Ferrero’s best practice policies.

Sugar

Sugar is an important ingredient in the production of Tic Tac® pills.

Ferrero uses both beet and cane sugar. Beet sugar is supplied only by producers of non GMO beets, whilst for cane sugar supplies an improvement project has been activated by the Group, with the aim of purchasing all its

cane sugar from sustainable sources by 2020. At the end of 2016 we will reach the intermediate objective of 40% cane sugar from sustainable sources and 70% in 2018.

Maltodextrin

Maltodextrins, contained in the Tic Tac® core, are medium-long chained carbohydrates. They are obtained from cereal starch (such as corn, wheat and rice) or from tubers (potatoes or tapioca) and have a moderate sweetening effect, a good solubility and a good degree of absorption of the essential oils.

They are effective in the production of the pills, in particular due to their fluidity, compressibility and low hygroscopicity, i.e. the capacity to absorb water molecules.

They are very digestible and are a source of long-term energy.

Fructose

There is a tiny amount of fructose in the Tic Tac® core. It is a simple sugar, naturally contained in most fruits, in honey and in some vegetables such as carrots. It can also be found, in smaller doses, in beet sugar and cane sugar. Fructose is the sweetest natural sugar.

Other ingredients

Tic Tac® contains a small quantity of other ingredients.

- **POWDERED FRUIT:** the fruit used by Tic Tac® is carefully selected to guarantee qualitative and flavour standards. In the more important production areas, the Group is supplied by selected producers with whom it has established long-lasting relations over time, and who, through careful selection of the best fruits and dehydration processes, are able to reach the required standards.

- **AROMAS:** are used in minimum quantities and their purpose is to enhance particular flavours or scents and stabilize these over time. The Group's technicians select the best aromatic blends to use in Tic Tac® pills through countless tests and patient work, which they share with the best flavouring experts in the world. To guarantee quality and food safety, accurate daily tests are carried out through sensorial analysis and modern analytic techniques.

• **MINT ESSENTIAL OIL:** is used for its aroma and freshness. The essential oil is extracted by distilling the mint. Mint is a strongly aromatic perennial plant, which grows largely across Europe, Asia and Africa. From this plant it is possible to obtain a very limpid, light yellow and very fluid essential oil with a strong and penetrating aroma, a very fine scent which leaves the characteristic sensation of freshness in the mouth. This ingredient was chosen by Tic Tac® for these particular qualities and characteristics.



• **GUM ARABIC:** is a natural gum. Used in the food industry for decoration and to maintain a stable and intact appearance.

• **CARNAUBA WAX:** is a natural vegetable wax. It is used in Tic Tac® as a coating agent.

• **CITRIC, MALIC, TARTARIC, ASCORBIC ACID:** Tic Tac® uses the first three elements to give acidity and the latter as an antioxidant.

• **COLOURANTS:** Tic Tac® respects all relevant regulations in force that vary from country to country.

It should also be noted that Tic Tac® pills **do not contain GMO ingredients**, in accordance with the Ferrero Group strategy.

Finally, **the nutritional information printed on the Tic Tac® package is clear and visible**, in compliance with all local legislations.

THE CULTURE OF TASTING AND OF QUALITY

According to the Ferrero Group policy, attention towards the consumer is not only a value but a daily practice, based on a sense of responsibility which goes beyond commercial aims.

The dedication towards consumers has always been the precondition and foundation of the Group's industrial policy.

The "culture of tasting" has been developed in every production plant. The Tic Tac® quality department carries out constant controls during the entire production process, according to very specific procedures inspired by the most advanced practices of the sector.

All raw materials are tested through chemical-physical-organoleptic analysis, upon delivery, according to specific sampling plans which include a number of organoleptic tests, carried out also on a daily basis, by a panel of Tic Tac® production experts.

MORE THAN 30,000 TIC TAC® TASTINGS WERE CARRIED OUT IN FY 2014/2015.

Moreover, in FY 2014/2015, Tic Tac® production included:

- more than **3,000 tests and analyses¹ on raw materials** and more than **1,100 tests on aromatic blends**;

- more than **15,000 controls² on primary packaging**, in addition to checking secondary packaging;

- **control of over 36 million pills**, which include production line controls (weight, composition, aesthetic flaws) and laboratory testing of chemical-physical and microbiological parameters, as well as **controlling over 5 million boxes**.

Ferrero defines and applies strict parameters of traceability, safety and quality for Tic Tac®, as for all its products. The Ferrero plants, where Tic Tac® is made, have a Quality System certified by a third and independent party.

All of the Tic Tac® industrial plants use raw materials and ingredients from various suppliers that are selected and evaluated by the Group according to univocal parameters. During the acceptance phase, all the industrial plants apply a control plan defined at a central level by the Group's Quality Management, based on a specific risk analysis.

A further risk analysis is carried out in the production area, according to the implementation of specific HACCP plans, established by central guidelines, in order to guarantee the maximum safety of the products.

The complaints received in FY 2014/2015 equate to 0.00274 per 100 kg of Tic Tac® sold.

CERTIFICATIONS

In addition to the stringent regulations of the different countries where Tic Tac® is produced and marketed, the brand has always been sensitive to the demands of its consumers, and if possible, tries to meet the **requirements of the different local cultures and religions**.

For this reason, in some parts of the world, several Tic Tac® flavours are Kosher and Halal certified.

In addition, Tic Tac® pills in the Mint, White Orange, Spearmint and Strawberry Mix flavours, **are certified as "vegetarian"** by The Vegetarian Society, because their production follows the standard guidelines in the production

1. Including chemical-physical and microbiological tests.

2. Including organoleptic tests and detection of flaws.

of vegetarian products, as reported by the license agreement determined by the same body.

Tic Tac® contains rice starch, but not gluten deriving from wheat, barley and spelt, and **is thus suitable for celiac consumers**.

In order to guarantee that Tic Tac® is suitable for celiacs, Ferrero applies a control plan on the raw materials and on the finished product, and constantly monitors the production process, the work environment, the equipment and the plants. All operators are adequately trained.

In some countries, Tic Tac® is included in a list of products for celiacs, published by specific associations such as AIC (Italian Association for Celiacs) which requires compliance with specific parameters.



The industrial plants' food safety management, where Tic Tac® is produced, are verified by an internal audit, and the industrial plants certified by FSSC 22000, are verified by an external audit formed by excellent organizations (for further details please go to chapter "Quality and freshness" of this CSR report).

REDUCING THE ENVIRONMENTAL FOOTPRINT

With the recent certification of the industrial plant in Poços de Caldas, obtained in November 2015, seven of the nine plants producing Tic Tac® have achieved the safety standards according to ISO 14001. **By 2020, this certification will cover the whole Tic Tac® industrial production**, and will be extended to both the plants in Baramati (India) and Walkerville (South Africa).

Considering the relevance of the emissions related to the use of energy, as well as to the consumption of resources, the Group has decided to extend ISO 50001 certification, by 2020, to a Group multi-site certification. For further information and for the Group's objectives on this aspect, please refer to the chapter titled "Minimizing Environmental Impact" of this CSR report.

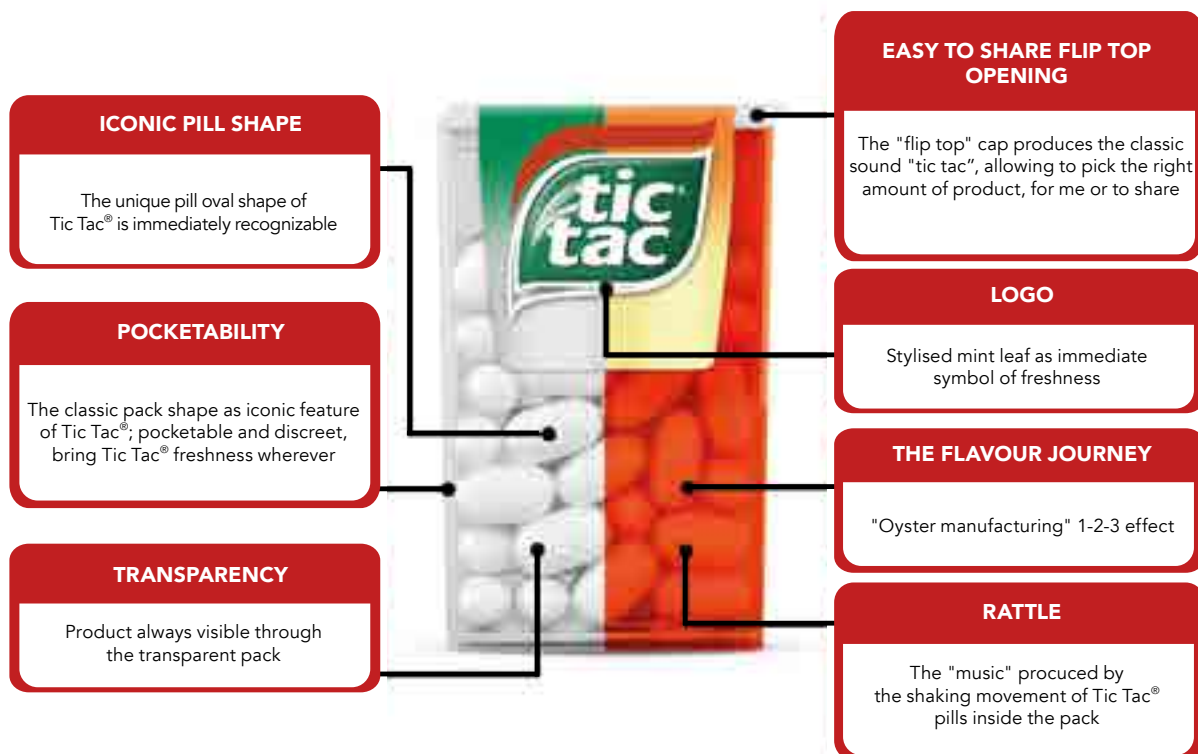
PACKAGING

The iconic Tic Tac® pack is a real evergreen.

Its main characteristics have not undergone aesthetic changes from the year of its launch to the present day.

Transparency is one of the most distinctive characteristics, allowing the consumer to see the product inside the package. The "flip top" top allows the consumer to take an appropriate quantity of product, whilst also maintaining product freshness and protect it from external elements. The Tic Tac® pack is practical and pocket size to allow the consumer to experience freshness wherever and whenever.

Finally, even if the Tic Tac® logo has changed over the years, it has always been represented by a fresh mint leaf.

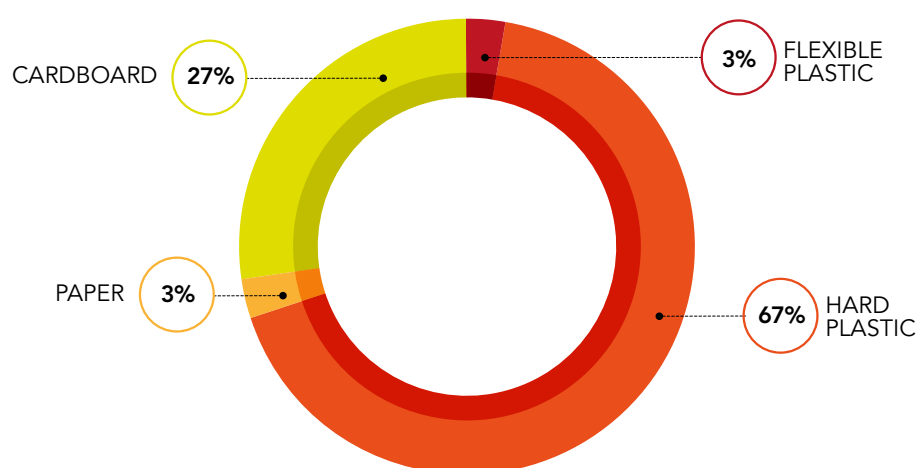


FINDING THE RIGHT BALANCE BETWEEN QUALITY, PROTECTION, SAFETY AND RESPECT FOR THE ENVIRONMENT IS A DAILY PLEDGE FOR FERRERO AND TIC TAC®.

The Tic Tac® packaging department is divided into different sales units (for example: single products, multipack, etc.) which all have the main goal of guaranteeing the product's quality and freshness.

Below is a list of materials used for packaging the various products around the world.

TIC TAC® PACKAGING MATERIALS AT A GLOBAL LEVEL IN FY 2014/2015*



**Division % in weight of the used materials.*

The main material used for the Tic Tac® packaging is hard plastic, followed by cardboard, generally used as a secondary material for trays and selling materials. A small amount of paper and flexible plastic is usually used for labels and sleeves used on some kinds of packaging and for the multipack film.

In order to guarantee the product's excellence, recycled materials for primary packaging cannot be used. Recycled materials have been used, where possible, and not in direct contact with the product, in secondary celluloid packaging, such as trays or the plastic multipack. This has allowed us to source 17% of all materials from recycled material.

The Eco Design

In order to eliminate and reduce the negative effects on the environment caused by industrial production, Ferrero believes in a **strong commitment to designing the packaging of its products**, during the different development and project phases, according to the so-called 5R Strategy³, which aims to optimize the main variables that influence the overall environmental packaging profile.



During the past years, in accordance with the Group's guidelines, several best practices in package design have been adopted such as the FY 2014/2015 examples⁴ described below:

• R for Recycling

In the course of FY 2014/2015, a number of RPP plastic trays for multipack Tic Tac® were produced in the plant in Cork, using polypropylene Tic Tac® box scraps, saving 8 tonnes in a year. In the last three years, more than 26 tonnes of recycled material were used. This activity is part of the SPE (Scraps of the Packaging Evolution)⁵ global project, which aims to replace part of the virgin materials with recycled materials from the Group's plants packaging waste. The replacement of support material for labels, usually made in silicon paper, with a PET film, has been tested with some success. This has enabled easier recycling and has reduced the support material's total weight. The PET film is in fact 50% lighter than the standard materials and has led to the reduction of more than 60 tonnes of material.

• R for Reduction and Renewability

In view of increasing the percentage of its renewable packaging, in line with the Group's objective for 2020, Tic Tac®'s plastic polystyrene display has been replaced by a cardboard version, which has, in the past three years, contributed to the recycling objectives, by reducing 29 tonnes, as well as saving more than 21 tonnes of resources.

History of the Tic Tac® pack

The plastic Tic Tac® box, in its various sizes, is undoubtedly one of the **brand's emblems**. Today there are different kinds of boxes, designed according to the different country's

requirements. In developing new packaging formats, such as the new Tic Tac® Breeze or the Tic Tac® Botlepack containing 200 mints, Tic Tac® continues to transpose the par-

3. For the definition of the guidelines see the chapter titled "Minimizing Environmental Impact" in this CSR report.

4. The values shown are an estimate calculated on annual budgeted volumes.

5. For further examples regarding the Group's project see the chapter titled "Minimizing Environmental Impact" in this CSR report.

ticular characteristics of its historical pack such as the transparent box and the “flip flop” lid.

Originally, the packs were made of polystyrene, mainly because of its technical properties and transparency. Ferrero however continuously examines the option of using new materials in order to guarantee environmental sustainability and improved product quality.

For this reason, and according to the essential requirements of the European guidelines on packaging, the Group has tested different solutions regarding size, weight, volume and the material used for the Tic Tac® box. The first positive tests carried out in 2000 at the industrial plant in Alba, involving the substitution of polystyrene with polypropylene (PP), highlighted the material’s greater resistance and recyclability. Moreover, due to its flexibility, the thickness of the material has been reduced, making it lighter.

The Group then launched the new box, first in Europe and then in the rest of the World.

History of the Tic Tac pack



6. The values shown are an estimate calculated on annual budgeted volumes.

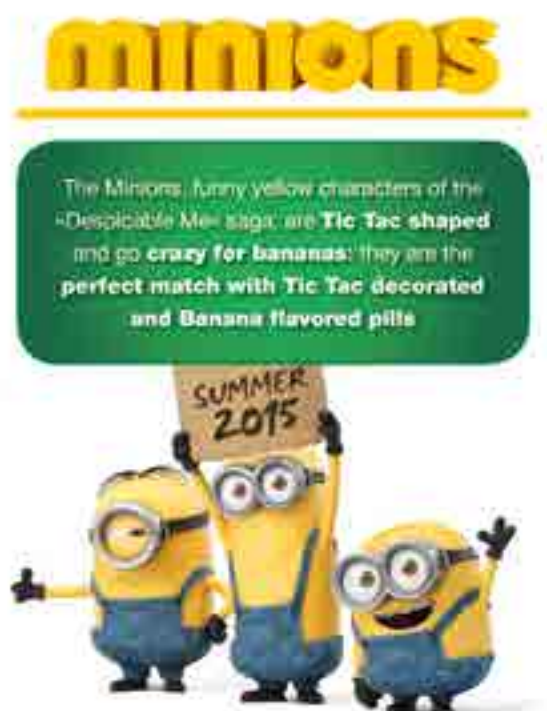
Considering the production volumes of FY 2014/2015, as a result of the changes made in the last few years, we have **saved more than 2,000⁶ tonnes of recycled material** in the boxes containing 27, 33, 37, 60, 100 and 110 pills.

TIC TAC® NEVER STOPS SURPRISING YOU

The limited edition – “Tic Tac® minions”, a great success

Attention to innovation and building new strong, consumer relevant product concepts, results in new ideas **for Tic Tac® new limited editions**, a special range sold only for a limited amount of time. For the past few years, Tic Tac® has been surprising its consumers with a limited edition dedicated to specific moments of the year (for example the Epiphany or Halloween), or special events (for example sports events).

A virtuous example is the Minions series, from the Despicable Me movie saga that became popular in the summer of 2010, obtaining huge success (1.2 billion dollars in ticket sales). The results of the operation were excellent for Tic Tac® in terms of sales and awards: the Tic Tac® Minions limited edition won the NCA Award in the US - an award for the year's most innovative product - and the LIMA Award in Germany for best licensed product, which helped Tic Tac® achieve sales records in several countries. The product was extremely successful in Australia, Canada and Poland even before the TV commercials were aired, and this forced Tic Tac® to work on an extra production which risked stalling the whole production system.





Where does this incredible success come from?

This success is rooted in the coherence between the Tic Tac® values and the characters: the Minions share the same shape of a Tic Tac®, they are cheerful, carefree and full of joy, like a Tic Tac®. Minions adore bananas and for the first time a Tic Tac® limited edition comes in a banana flavour; finally, thanks to the “write on pills” technology which prints in high definition using edible ink, the Tic Tac® pills now look like Stuart, Kevin and Bob, three of the most loved Minions. Furthermore the packaging (both the classic pocket size box and the 100 and 200 pills pack) is recognizable, because it faithfully reproduces the movie’s characters.

The Tic Tac “write on pills” technology:

The Tic Tac® “write on pills” technology is based on a high definition print of symbols, letters, numbers or small drawings directly onto the Tic Tac® pill. This technology enables a complete interaction between the product and the consumer, creating personalized messages and playing with the pills, whilst increasing familiarity with the brand.

The first activity to have benefitted from the “write on pills” technology was the Tic Tac® special edition dedicated to the Minions movie, but many other activities are scheduled, starting from 2016, which will evolve into a more detailed plan for 2020. They will not only use new, interesting characters from movies or TV series, but will re-interpret major events and occasions “in a Tic Tac® style”, always with the same attention to detail and coherence.

Breeze

Tic Tac® Breeze is Tic Tac®'s latest innovation and was created with the idea of diversifying the sugar-free products and at the same time broadening the offer in the herbal-mentholated segment.

Tic Tac® Breeze aspires to constantly **offer of a new kind of freshness** which goes beyond the most common and traditional association with mint. Because of its characteristics, Tic Tac® Breeze is able to create flavours of unexpected freshness, such as, aniseed and liquorice. The main ingredient is xylitol, a prestigious sweetener with high refreshing properties which, combined with stevia leaves, forms the pill's structure. The secret of the pill's uniqueness is in the pill's core, made with special crystallized herbs, i.e. micro xylitol crystals containing a blend of 16 balsamic herbs.

Tic Tac® Breeze is available in the following flavours: Liquorice, Aniseed, Eucalyptus, Alpine Herbs.



Continuos innovation - Looking to the future

The Tic Tac® brand has always been a pioneer in innovation, always studying new consumer trends and tastes.

In light of this, during the past years, in line with the Group's 2020 objectives, **the "Tic Tac® Feel Nature" initiative was launched** to develop products and sustainable eco-friendly production processes, in line with the modern consumer's demand for natural, quality ingredients.

Tic Tac® is currently working on two fronts within this initiative: from one side on the origin of the packaging materials, both primary and secondary, from renewable sources (bio-plastic materials) and recycled ones (cardboard); from the other side on a preference for the most natural ingredients (colouring agents, aromas, etc.).

In spite of the technological barriers and the difficulties connected to the product, Tic Tac® technicians and experts continue their research and development with the aim of introducing to the market a product that reflects the work of an ambitious project, capable of generating value for both the consumer and the Ferrero Group.



FERRERO IN AUSTRALIA

FERRERO IN AUSTRALIA: THE BACKGROUND

Ferrero Australia was established in 1974, initially with a commercial office in Sydney followed shortly afterwards in 1977 with a manufacturing plant in the regional town of Lithgow, two hours west of Sydney producing NUTELLA® and Tic Tac®. The placement of the Ferrero plant in Lithgow has had a significantly positive impact on employment in the area: the plant, at 31st August 2015, offered employment to 108 people. The commercial office is situated in North Sydney, which was comprised of 195 employees as of 31st August 2015, of which 99 were full-time employees. The business is supported by 91 part-time merchandisers who visit all key supermarkets. Like the country itself, Ferrero Australia is hugely diverse with a **multicultural population representing 21 nationalities**.

As well as having responsibility for Australia, the local team also closely supports the development of the Ferrero business in New Zealand, which is managed through an exclusive distributor based in Auckland. The most recent addition to the Ferrero presence in Australia has been the creation of Agri Australis in 2011. The farm represents 2,600 hectares of land located six hours south-west of Sydney in the Riverina Region and will soon be the home to one million hazelnut trees, which by 2020 is estimated to yield close to 5,000 tonnes of hazelnuts in-shell each year.



The principles, values and results of the Ferrero Group's corporate social responsibility are a **great source of pride for the Ferrero team in Australia** and the local sustainability actions that are aligned to these commitments are shared with our local stakeholders. This has resulted in acknowledgements, the most recently Ferrero's recognition by the

New South Wales Government by winning the Medium to Large Business Sustainability category at the 2015 Green Globe Awards for environmental excellence, leadership and innovation; and also winning the New South Wales Infrastructure Project Innovation Award for the Bioreactor wastewater treatment in FY 2015/2016.

FERRERO AUSTRALIA: THE COMMERCIAL DIVISION



In Australia, Ferrero has grown continuously since its inception with consumers developing an **increasingly strong affinity with the Ferrero brands**. Starting with Tic Tac® and NUTELLA®, the Ferrero portfolio has evolved over time and now represents some of Australia's most loved brands.

In fact Australia has one of the highest per-capita consumption levels for Ferrero Rocher in the world despite being over 17,000 km from Italy and Christmas being at the start of the summer. Outside of pralines, KINDER® Surprise, launched in 1993, is now the number one single confectionery line in Australia and New Zealand while Tic Tac® and NUTELLA®,

both proudly made in Australia, are distributed in almost every store in the country. Whilst the Australian confectionery market is mature and relatively stable, Ferrero Australia is a dynamic business, growing by 63% since FY 2010/2011 with net turnover for FY 2014/2015 close to 220 million Australian Dollars (151 million Euro) and sales of 160,000 quintals. Whilst Ferrero brands lead the categories in which they operate, there remains huge potential to further develop our brands in both Australia and New Zealand.

FERRERO AT LITHGOW: THE INDUSTRIAL DIVISION

Ferrero opened its manufacturing factory in 1977, at the chosen Lithgow, New South Wales location that is 150 km west of the city of Sydney. Lithgow is a regional town with a population of 13,000. Ferrero is one of the major employers in town, with a long-standing reputation of **providing a safe and stable working environment**. The plant is a single level facility sitting on a Ferrero owned parcel of land of approximately 70,000 square metres. The factory produces NUTELLA® and Tic Tac®, with the full production sent to the Australian, New Zealand and East Asian markets.

At Lithgow we:

- strive for continuous improvement and investment opportunities;
- comply with the requirements of Good Manufacturing Practices, ISO 14000, ISO 9001, FSSC 22000 and the HACCP rules;
- strive to produce the highest quality product from the raw material to the finished goods;



- ensure the provision of a safe working environment for employees and contractors.

The Lithgow factory has a long standing relationship with contractors in the local area and has invested considerable time and effort in maintaining strong working partnerships with local businesses - something that is recognised by the Local Authorities.

“ On behalf of Lithgow City Council, NSW Australia, I am extremely proud to have a progressive, reputable business in our Local Government Area like Ferrero.
Not only do Ferrero make the best chocolate and chocolate products in the world, they are a highly regarded business with an outstanding reputation...”

Mayor Maree Statham
Lithgow City Council

LOCAL ACTIONS REFLECTING OUR GLOBAL PRINCIPLES

Loyalty and Trust

The Ferrero factory in Lithgow has demonstrated **a long-standing high commitment to quality**. It values the fact that all the rules relative to food safety, hygiene, workplace health and safety and the environment, not only need to be complied with, but must be exceeded by the factory. The management systems supporting these goals are regularly reviewed for effectiveness and continual improvement. Lithgow's commitment is demonstrated through the certification to ISO 9001 and HACCP since 1999, in quality and food safety management systems followed by FSSC 22000 since 2011 for food safety and ISO 14001, since 2010 for environmental management systems.

Only with the committed contribution of each employee is the Lithgow factory able to manufacture products of the highest quality.

Integrity and Sobriety

Consistent with the Ferrero Group's commitment to corporate social responsibility, in Australia Ferrero has engaged with a wide range of stakeholders to **share its corporate social responsibility values and our local achievements**.

Ferrero has by invitation been a guest speaker at a number of New South Wales State Government arranged events focused on varying aspects of sustainability such as energy co-generation, waste management and industry leadership.

“...Ferrero Australia is continually searching for strategic ways to improve resource productivity, has a history of embracing innovative technology, engages early with new business models and is demonstrating real leadership by working collaboratively with its entire supply chain, extended business networks and local communities. They are a strong advocate for sustainable best practice. We acknowledge Ferrero Australia as effective leaders in both thought and action, who share our dual commitment to protecting our natural environment and building a productive, sustainable and thriving New South Wales.”

*Tom Grosskopf, Director Metropolitan Branch,
New South Wales Office of Environment and Heritage*

Respect and Responsibility

The Lithgow factory's environmental results and achievements are guided and aligned to our global commitments. This includes reported reductions in electricity and water consumption, improved recovery of waste diverting it from landfill, and significant greenhouse gas reductions driven by the self-generation of electricity.

Commercially, Ferrero Australia:

- is a signatory to the Responsible Children's Marketing Initiative;
- has provided the details of energy and key nutrients per serve on the front label of its NUTELLA® and KINDER® products;
- supports the Australian confectionery industry's "Be Treatwise" campaign to promote its local adherence to Ferrero's Health and Nutrition principles.



Passion for Quality, Research and Innovation

Ferrero installed a bioreactor at the Lithgow factory to improve the management of the liquid trade waste. This is an above-ground bioreactor that provides microbes, the ideal oxygen rich environment in which to rapidly grow and multiply.

The new Australian designed technology is comprised of a series of nano-ceramic membranes suspended vertically and are surrounded by air to create a series of "gills". Wastewater passes over the gills, enabling microbes to "eat" the nutrients out of

the water and "breathe" the air to grow and multiply. A batch process is run where the wastewater is transferred into a treatment tank and recycled until within the accepted criteria range. An innovative solar heating solution, using evacuated tubes, was applied to the bioreactor to maintain its efficiency during the colder months.

This innovative waste water treatment solution, **the first for a food manufacturing company in the world** to implement a full-sized water treatment solution of this type, has been recognised by environmental certificates from the National Banksia Foundation, the New South Wales Government's Green Globes and was winner of the Australian Water Association's Infrastructure Project Innovation New South Wales award.



ENVIRONMENTAL MANAGEMENT

Ferrero's Lithgow facility has been recognised for its success in minimising its impact on the environment. Analysis of performance is based on the 5 years ending FY 2014/2015.

Electricity consumption: between FY 2010/2011 (following the Ferrero Australia Environmental Management System being established and certified to ISO 14001) and FY 2014/2015, the Lithgow factory has consistently reduced Megawatt per hour consu-

mption per ton of product, with a total reduction of 29% over the period. This continuous improvement has been enabled through the implementation of a suite of initiatives such as the replacement of 2,400 fluorescent tubes with 1,200 LED lights, establishing economy cycles for air conditioning, the installation of a tri-generation plant (achieving efficiencies through providing cooling and steam), surveys of compressed air leakages, savings in compressed air through a change

in the fire sprinkler system from one based on compressed air to one based on water, and green weekend programs designed to build staff awareness and engagement. To date **the tri-generation plant is currently self-generating close to 50% of the Lithgow factory's productive electricity needs.**

To better manage the energy requirements of Ferrero, as part of the Group, **it is implementing the ISO 50001 standard** for energy management systems. This management system is planned to be available for certification in FY 2017/2018.

Greenhouse gas emissions: as a result of the energy efficiency improvements, Lithgow's greenhouse gas emissions per ton of finished product **have reduced by 41% since FY 2010/2011.**

Waste recovery: prior to 2006, the Lithgow factory was disposing most of its waste to landfill, which was considered standard practice in Australian industry. Since then, considerable efforts have been made to recover this waste. Recognising the Groups average of 90% of waste recovered as a local target, the Lithgow factory **has improved its performance to 85% during FY 2014/2015.** This waste recovery was achieved through partnerships with waste management service providers, waste audits, the identification and separation of wastes on-site and staff engagement.

Furthermore Ferrero Australia has been **a signatory to the Australian Packaging Covenant** since its establishment in 2011. In accordance with the Stewardship requirements of the Covenant, Ferrero has shared its environ-



mental commitments with its trade partners. In retail stores, all Commercial field force are trained to dispose of packaging waste appropriately and behaviour is reinforced through their formal store reporting process.

Water consumption: Lithgow FY 2014/2015 factory's water consumption (cubic meters per ton of finished product) **has reduced by 24%**. This was achieved through processing improvements in evaporative cooling for air conditioning, changes in vacuum transfer systems and the selected reuse of process water. During 2015, the Lithgow plant installed a 150,000 litres rainwater-harvesting scheme.

Compliance: through the implementation of a series of initiatives under an Effluent Improvement Program – including the installation of the new bioreactor in 2013, Lithgow factory **has reduced the Biological Oxygen in its liquid trade waste by 97%** since FY 2010/2011.



Packaging: the Australian Packaging Covenant (APC) requires its signatories to adopt Sustainable Design Criteria for product packaging. Ferrero Australia introduced this criteria into its local new product development process for Australian made products and point of sale material ensuring environmental requirements are considered and reviewed. The APC assessment of Ferrero Australia's Report for 2015 stated: "This was a well-prepared report that met the requirements for all KPIs and demonstrated your commitment to packaging sustainability".

As part of a review of Australian made products under the APC, the plastics (polypropylene) in NUTELLA® caps was reduced in weight effective 1st September 2013 **resulting in the saving of 74 tonnes of plastic** to August 2015⁷.

7. The values shown are an estimate calculated on annual budgeted volumes.

LOGISTICS

The distribution of Ferrero products throughout the vast areas of Australia and New Zealand require meticulous planning and careful consideration to the environmental impacts of our warehouse and transportation activities. From Ferrero's estimate, the transport carriers travel over 6 million km over-land every year with Ferrero products.

The Supply Chain team at Ferrero works closely with its logistics partners, developing innovative warehouse and transport solutions that reduce freight miles and the associated carbon emissions, maintain Ferrero's commitment to the National Chain of Responsibility Legislation and have a positive influence on both workplace and road safety.

Ferrero has implemented the following initiatives during the calendar year 2015, focused on reducing our logistics footprint in Australia and New Zealand:

- Regional Distribution Centre in Victoria. Seasonal stock for Christmas promotions is imported directly to Melbourne from our overseas factories and distributed to customers in the southern states of Australia, **saving close to 50,000 km in road freight.**

- Seasonal promotional volumes for New Zealand are shipped direct from overseas factories to our Distributor in New Zealand. This avoids handling and processing through our warehouse operations in Australia and additional road transport, **reducing the need for approximately 650,000 km in sea freight and the saving of 10,000 km of road freight.**

- NUTELLA® and Tic Tac® stocks are despatched direct from the Lithgow factory to New Zealand, **avoiding processing and handling at the Sydney warehouse.**

SOURCING

The Lithgow factory sources 82% of its packaging⁸ in Australia being items such as jars, labels, and cardboard. The remaining 18% of packaging includes resin from Asia used to produce in-house injection moulded products for Tic Tac® and NUTELLA®, and foils and aluminium seals for NUTELLA® imported from Germany.

The Ferrero Group's agricultural commitment to sustainability is shared annually with its Australian stakeholders. Ferrero's progress on sustainable sourcing of ingredients such as palm oil, cocoa and cane sugar are of significant interest and its achievements are acknowledged in the Australian and New Zealand markets.



...With Australia's love for NUTELLA® being so strong, having Ferrero make public commitments, allowing our visitors to contact Ferrero and seeing the commitments be followed through, has all been a very important journey not only for Ferrero but also for our zoo visitors and staff to be a part of and contribute to.

Ferrero has become a leader in sustainable practices and fair sourcing of ingredients, a story that

8. Value spend.

gives us hope for a better future for orang-utans and all wildlife. Zoos Victoria would like to congratulate Ferrero Australia on their hard work and dedication in working towards a better future.



Anne Ward Chair, Zoos Victoria

AGRI AUSTRALIS



Agri Australis Pty Ltd is a company within the Ferrero Group, founded in June 2011 and is located near the town of Narrandera (600 km from Sydney), in the south western Riverina region of the state of New South Wales. The aim of Agri Australis is to develop a large-scale demonstration farm which will showcase to farmers and possible investors the potential of future hazelnut cultivation and production in the region. The counter-seasonal supply from Australia **will provide the possibility of accessing fresh hazelnuts all year round.**

Agri Australis has worked with both

the New South Wales State and Australian Federal Governments to implement the plantation and was recognised by the Federal Government with an award for its outstanding contribution to the integrity of Australian biosecurity in 2013. The demonstration farm comprises 2,600 hectares of agricultural land of which 2,000 are suitable for the cultivation of hazelnuts and some conservation areas with native trees on the Murrumbidgee River. The goal is to plant one million trees by the end of the FY 2016/2017, with the first harvest forecast for April 2018 and full production by 2022.

FERRERO AUSTRALIA'S SOCIAL INITIATIVES

Brainwave Australia

Established in 1994, Brainwave helps children living with neurological conditions by providing the support they need to improve their quality of life. A neurological condition can include epilepsy, brain cancer, autism, muscular dystrophy, strokes, childhood MS and acquired brain injuries.

Brainwave offers support in the hospital, in the home and through family care events to over 800 children and their families across the states of New South Wales and Victoria. Ferrero provides products, staff volunteering and financial contributions to help children and families living with these debilitating conditions, Australian employees of Ferrero contributed **168 hours of volunteering service** to Brainwave's events in FY 2014/2015.



“Brainwave’s long standing association is highly valued by its Board of Directors, its staff and particularly the families who engage with Ferrero volunteers at Brainwave events. On behalf of the children that Brainwave supports, thank you for your commitment to helping make a difference.”

*Caroline Scully, General Manager
Brainwave Australia*

Foodbank Australia

Foodbank in Australia is a not-for-profit organisation that seeks and distributes food and grocery industry donations to welfare agencies which feed the hungry. Food and grocery manufacturers, producers and growers deliver their donations to Foodbank warehouses, where the food is sorted and then collected and distributed by welfare agencies throughout Australia. Last year Foodbank provided 76% of Australia’s food relief in the form of **166,000 meals each day**. The food is used to prepare mass meals or for distribution in food parcels. It helps feed **2 million Australians each year**, almost half of them children.



Ferrero is committed to assisting Foodbank by not only donating our products (just over 50 tonnes in FY 2014/2015 valued at 1.2 million Australian Dollars in social return⁹) to support food relief and natural disaster assistance, but by also regularly providing teams of volunteers from our company to work in Foodbank warehouses and associated food relief programs across Australia of which **35 hours** was provided in FY 2014/2015.



9. Source: Ferrero report card FY 2014/2015 by Foodbank.

Sharing values to add value

Ferrero's Australian management has presented at leading Australian universities promoting our company values.

“For the last five years Ferrero Australia has been closely involved in the delivery of postgraduate CSR focused courses run by the UTS Business School. Working closely with faculty, Ferrero Australia management have shared the Ferrero CSR strategy with a broad range of students studying in the MBA, Indigenous and Not for Profit focussed Masters Degrees. The response from students has been universally positive and they have found the key take away messages from the Ferrero experience to be that for CSR achievements to be secured as:

- *a company need;*
- *a strategy with clearly set and achievable goals,*
- *a commitment to incremental as well as eventual significant improvements – realising positive change is a journey not a destination;*
- *a commitment to CSR is deeply integrated and embedded with all parts of the organisation;*
- *and in particular, building a sustainable and socially responsible business is at the core of a company's leaders' aspirations.*

”

*Bronwen Dalton
University of Technology Sydney Business School*

HUMAN RESOURCES

Ferrero strongly believes in the importance of creating an engaging workplace. Ferrero provides and supports an environment which allows its employees to take pride in their achievements with the knowledge that they are rewarded both financially with competitive pay and benefits, but also emotionally through the celebration of major employee achievements.

Demographics of Ferrero Australia employees

At 31st August 2015, the ratio of women to men was 65% women and 35% men (inclusive of both the commercial division and plant direct employees). The ages of Ferrero employees range from 18 to 68 years. Additionally, at the Lithgow factory the ratio is 47% female and 53% male. The ages of Ferrero employees in Lithgow range from 18 to 65 and the average length of service in the Group is greater than nine years, covering full time, seasonal and casual employees.



Compensation and Benefits

The Australian Business unit is committed to providing a competitive total compensation package to guarantee internal equity, reward performance, and provide alignment to the business objectives and support motivation and retention. The total compensation package is in the form of base salary, superannuation (pension plan), and car allowance (if applicable), incentives and a comprehensive benefits package.

At the Lithgow factory, Ferrero is committed to providing a competitive total compensation package in the form of base pay, bonus incentive (salary employees), and superannuation plan. Blue Collar employees are covered by an Union Enterprise Agreement which is negotiated every two to four years, with the aim of providing a competitive hourly rate for Ferrero employees and maintaining a high level of productivity.

Workplace Health and Safety

In Australia, Ferrero seeks to provide **a safe and secure work environment** through the following initiatives:

- safety Committee Meetings are held once a month to enable consultation with employees and provide solutions to Workplace Health and Safety Issues;
- risk assessments are conducted to identify areas of improvement in the processes and procedures;

- bi-Annual training is conducted in areas such as safety committee consultation, manual handling and risk identification;
- bi-Annual hearing tests are performed on all employees and noise reduction programs are implemented;
- training is conducted in areas such as safety committee consultation, manual handling and risk identification;
- flu vaccinations are offered to office staff prior to the winter season to protect employees against influenza;
- commercial office employees have access to a Gym program and education sessions to maintain a fitter, healthier lifestyle, reduce stress and improve energy levels. Employees taking up the offer are entitled to fitness program, small group training fitness workshops and group fitness classes and team workouts.

Equal rights and People with disabilities

In Australia, Ferrero 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 is committed to ensuring a discrimination-free workplace in compliance with the Equal Employment Opportunity Act.

Diversity and Inclusion - Harmony Day

Ferrero Australia as of 31st August 2015 has 21 nationalities working throughout the organisation. In Australia, the Commercial office has organised Harmony/Multicultural day lunches to **celebrate inclusiveness, respect and a sense of belonging for everyone**. It is a day for all Ferrero employees to embrace our cultural diversity and to share what we have in common. The central theme for Harmony Day is that "everyone belongs", reinforcing the importance of inclusiveness to all Australians.



The Pulse team

The Pulse team is a committee formed by employees from commercial divisions who serve as a conduit to management to table employee initiatives and workplace improvements. The purpose of the Pulse Team is to ensure that Ferrero Australia **a great place to work** - creating personal and business growth.

Some of the initiatives run by the Pulse team include organising a Ferrero Family Day, Outdoor activities, Harmony Day and Lithgow factory tours.

Employee Social Club

The Ferrero Lithgow Social Club is made up of an employee group with the aim of **organising social events for Ferrero's Lithgow-based employees**. These events usually happen on an annual basis and may include lunches or dinners at local restaurants, children's day trips or special day events.

ADDITIONAL COMPANY-PAID BENEFITS

Individual Development Plans

Employees at Ferrero have an individual development plan to ensure they reach their professional goals.

Annually managers and employees plan activities that will aid their development and assist them to reach their professional goals. The plan can include training, mentoring, coaching and on-the-job learning.

Career Path

Providing stimulating careers is important at Ferrero. The Career Path, provided only to commercial division, is a framework which allows employees to plan their career development through understanding the various career options available within Ferrero. The tool enables employees to:

1. know their strengths, development areas, and career aspirations;
2. explore career opportunities available within Ferrero;
3. identify development actions in line with their aspirations.



Education Assistance Program

Ferrero Australia offers the Educational Assistance Program that is designed to provide eligible employees the **opportunity for financial reimbursement and study leave days** for a specific courses/classes.

Employee Assistance Program (EAP)

The Employee Assistance Program is a confidential service available to all Ferrero full-time employees that allows them to speak with an expert consultant to assist in the identification and resolution of personal matters.

Managers/supervisors, employees and their families have quality access to assessment, crisis intervention, counselling, follow-up and referral, if necessary. The program can help employees deal with stress, relationship issues, parenting and childcare, needs of an older relative and, health issues. **No issue is too big or too small for the EAP.**

Children's Christmas Party

Every year the Lithgow factory hosts a Children's Christmas Party. Through consultation with employees a Christmas present for all attending children, carnival rides, face painting and lunch for all attendees is organised. The annual Children's Christmas Party is a **valuable local event** that all employees and their families look forward to every year.

FERRERO IN THE UK AND IRELAND

INTRODUCTION

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.

PORTRAIT OF A BUSINESS

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.

9. AC Nielsen total coverage, MAT to 11/7/15.

10. AC Nielsen (FY1415 we. 23.04.16).

11. AC Nielsen Total Coverage MAT to 17/10/15.

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 children¹².

In Ireland, the market share is 4.6%, with 52% of households buying a Ferrero product every year, rising to 61% of households with children¹³.

FERRERO IN THE UK

Building scale

Ferrero UK was established in 1966 in the UK with an office in central London. NUTELLA® was advertised on television for the first time in 1967, with Tic Tac® 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 economy¹⁴. For the two years 2013-2015, Ferrero contributed 94% of all value growth in the UK confectionery market¹⁵.

12. Kantar Worldpanel online, 52 week data to 16.08.15.

13. Kantar: MAT we 27.03.16.

14. Estimation based on an internal study conducted with regards to the FY 2013/2014.

15. AC Nielsen Scantrack, September 2012 to August 2014.

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.

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 Alferton 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 programme¹⁶.

16. Internal staff survey, July 2014.

FERRERO IN IRELAND

A leading-edge manufacturing site



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.

Tic Tac® manufactured in Cork

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.



Environmental impact

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 perspective¹⁷. Excess material used in moulding the plastic caps for Tic Tac®, 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.**

KINDER+SPORT IN THE UK AND IRELAND



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 levels¹⁸. 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 +SPORT MOVE AND LEARN PROJECT

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.



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 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 their report in a manner that is consistent with the G4 Guidelines. Reports that are properly aligned with GRI's Guidelines are more transparent as the data included is more accessible and easier to use.

The Ferrero Group, for its 7th 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 G4 Guidelines.

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.

GRI Content Index



The following is a summary of the main contents of the Corporate Social Responsibility Report 2015, according to the scheme of "GRI Sustainability Reporting Guidelines" (version 4, 2013) integrated with "GRI G4 Food Processing Sector Disclosure" (FPSS) and with reference to "OECD Guidelines for Multinationals Enterprises Principles" and ISO 26000. For each indicator there are: the page reference of the report, the reason for omission and a summary of the content.

GRI-G4 General Standard Disclosures	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
GENERAL STANDARD DISCLOSURES					
STRATEGY AND ANALYSIS					
G4-1	8-9		CEO statement	n.a.	4.7 Respect for international norms of behaviour 6.2 Organizational governance 7.4.2 Setting the direction of an organization for social responsibility
G4-2	8-9; 12-13; 24-25; 27; 39-40; 133; 138-140; 170-173; 214-217; 229-230		Key impacts, risks and opportunities	n.a.	4.7 Respect for international norms of behaviour
ORGANIZATIONAL PROFILE					
G4-3	24		Name of the organization	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment creation and skills development 7.8 Voluntary initiatives for social responsibility
G4-4	20		Primary brands, products and services	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment creation and skills development 7.8 Voluntary initiatives for social responsibility
G4-5	24		Location of the organization's headquarters	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment creation and skills development 7.8 Voluntary initiatives for social responsibility
G4-6	22-23; 213		Number of countries where the organization operates	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment creation and skills development 7.8 Voluntary initiatives for social responsibility
G4-7	24		Nature of ownership and legal form	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment creation and skills development 7.8 Voluntary initiatives for social responsibility

GRI-G4 General Standard Disclosures	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-8	22-23		Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-9	21; 98		Scale of the organization	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-10	98-101; 103; 270; 282; 292-293; 297	Data concerning external collaborators by region and gender are currently not available	Workforce characteristics: - Total number of employees by employment contract and gender - Total number of permanent employees by employment type and gender - Total workforce by employees and supervised workers and by gender - Total workforce by region and gender	V. Employment and Industrial Relations	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-11	108		Employees covered by collective bargaining agreements	V. Employment and Industrial Relations	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-12	172-174; 176-177; 188-194; 196-197; 202-206; 216-217		Organization's supply chain description	IV. Human Rights	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-13	5; 24; 208; 288		Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-14	30-31; 39-40; 173-174; 209-210; 214-216; 219; 229-230; 243-244; 250		Precautionary approach	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility

GRI-G4 General Standard Disclosures	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-15	4; 30-31; 48-49; 52-53; 58-59; 174-177; 194; 203; 239; 241-242 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Externally developed economic, environmental and social charters and principles	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
G4-16	28-29; 297		Memberships of associations and organizations	n.a.	6.3.10 Fundamental principles and rights at work 6.4.1-6.4.2 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.8.5 Employment relation and skills development 7.8 Voluntary initiatives for social responsibility
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	5; 24		All entities included in the organization's consolidated financial statements	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to an organization 7.3.3 An organization's sphere of influence 7.3.4 Establishing priorities for addressing issues
G4-18	14-17		Process for defining the report content	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to
G4-19	16		List of all the material aspects identified in the process for defining report content	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to an organization 7.3.3 An organization's sphere of influence 7.3.4 Establishing priorities for addressing issues
G4-20	16		Material aspects within the organization	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to an organization 7.3.3 An organization's sphere of influence 7.3.4 Establishing priorities for addressing issues
G4-21	16		Material aspects outside the organization	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to an organization 7.3.3 An organization's sphere of influence 7.3.4 Establishing priorities for addressing issues
G4-22	4-5		Effect of any restatements of information provided in previous reports, and the reasons for such restatements	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to an organization 7.3.3 An organization's sphere of influence 7.3.4 Establishing priorities for addressing issues
G4-23	5; 16; 98; 216-217		Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	n.a.	5.2 Recognizing social responsibility 7.3.2 Determining relevance and significance of core subjects and issues to an organization 7.3.3 An organization's sphere of influence 7.3.4 Establishing priorities for addressing issues
STAKEHOLDER ENGAGEMENT					
G4-24	17		List of stakeholder groups engaged by the organization	n.a.	5.3 Stakeholder identification and engagement
G4-25	17		Identification and selection of stakeholders with whom to engage	n.a.	5.3 Stakeholder identification and engagement

GRI-G4 General Standard Disclosures	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-26	17; 30-31; 114-115; 132; 148; 173-187; 193-194		Organization's approach to stakeholder engagement	n.a.	5.3 Stakeholder identification and engagement
G4-27	17		Key topics and concerns that have been raised through stakeholder engagement	n.a.	5.3 Stakeholder identification and engagement
REPORT PROFILE					
G4-28	4		Reporting period	n.a.	7.5.3 Type of communication on social responsibility 7.6.2 Enhancing the credibility of reports and claims about social responsibility
G4-29	5		Date of most recent previous report	n.a.	7.5.3 Type of communication on social responsibility 7.6.2 Enhancing the credibility of reports and claims about social responsibility
G4-30	5		Reporting cycle	n.a.	7.5.3 Type of communication on social responsibility 7.6.2 Enhancing the credibility of reports and claims about social responsibility
G4-31	4		Contact point for questions regarding the report or its contents	n.a.	7.5.3 Type of communication on social responsibility 7.6.2 Enhancing the credibility of reports and claims about social responsibility
G4-32	4; 305-325		GRI content index and 'in accordance' option indication	n.a.	7.5.3 Type of communication on social responsibility 7.6.2 Enhancing the credibility of reports and claims about social responsibility
G4-33	5; 326-327		External assurance	n.a.	7.5.3 Type of communication on social responsibility 7.6.2 Enhancing the credibility of reports and claims about social responsibility
GOVERNANCE					
G4-34	24		Governance structure	n.a.	6.2 Organizational governance 7.4.3 Building social responsibility into an organization's governance, systems and procedures 7.7.5 Improving performance
ETHICS AND INTEGRITY					
G4-56	30-31; 39; 44-45; 70-73; 172; 188-189; 197-200; 204; 207; 229 https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Organization's values, principles, standards and norms of behaviour	n.a.	4.4 Ethical behaviour 6.6.3 Anti-corruption

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
SPECIFIC STANDARD DISCLOSURES					
CATEGORY: ECONOMIC					
ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	8-9; 24-26; 31; 214; 272; 288-289		Generic disclosures on management approach	V. Employment and Industrial Relations XI. Taxation	6 Guidance on social responsibility core Subjects 7.3.1 Due diligence 7.4.3 Building social responsibility into an organization's governance, systems and procedures 7.7.3 Reviewing an organization's progress and performance on social responsibility 7.7.5 Improving performance
G4-EC1	26		Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, community investments, economic value retained, payments to providers of capital and payments to government	V. Employment and Industrial Relations XI. Taxation	6.8.1-6.8.2 Community involvement and development 6.8.3 Community involvement 6.8.7 Wealth and income creation 6.8.9 Social investment
G4-EC2	214		Financial implications and other risks and opportunities for the organization's activities due to climate change	V. Employment and Industrial Relations XI. Taxation	6.5.5 Climate change mitigation and adaptation
G4-EC3	116		Coverage of the organization's defined benefit plan obligations	V. Employment and Industrial Relations XI. Taxation	6.8.7 Wealth and income creation
G4-EC4	27		Financial assistance received from government. Report whether the government is present in the shareholding structure	V. Employment and Industrial Relations XI. Taxation	n.a.
ASPECT: MARKET PRESENCE					
G4-DMA	108; 113		Generic disclosures on management approach	n.a.	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EC5	109		Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	n.a.	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.8.1-6.8.2 Community involvement and development
G4-EC6	113		Recruitment procedures of residents at significant locations of operation and proportion of senior management hired from the local community	n.a.	6.4.3 Employment and employment relationships 6.8.1-6.8.2 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ADDITIONAL DISCLOSURE: INDIRECT ECONOMIC IMPACTS					
G4-DMA	31; 80-81; 138-139; 141-142; 146-148; 172; 289		Generic disclosures on management approach	n.a.	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EC7	60-61; 80-85; 87-91; 93-97; 144; 146-151; 152-158; 160-163; 178-183; 185-187; 199		Development and impact of infrastructure investments and services supported through commercial, in-kind, or pro bono engagements	n.a.	6.3.9 Economic, social and cultural rights 6.8.1-6.8.2 Community involvement and development 6.8.7 Wealth and income creation 6.8.9 Social investment
G4-EC8	31; 80-97; 141-143; 145; 195; 289		Significant indirect economic impacts, including the extent of impacts	n.a.	6.3.9 Economic, social and cultural rights 8.6.6 Promoting social responsibility in the value chain 6.6.7 Respect for property rights 6.7.8 Access to essential services 6.8.1-6.8.2 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation 6.8.9 Social investment
ASPECT: PROCUREMENT PRACTICES					
G4-DMA	8-9; 30-31; 71; 76; 173-175; 251; 257-258 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	n.a.	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EC9	31; 145; 278		Proportion of spending on local suppliers at significant locations of operation	n.a.	6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the value chain 6.8.1-6.8.2 Community involvement and development 6.8.7 Wealth and income creation
FP1	12-13; 30-31; 44-46; 70-71; 76-77; 174-175; 207; 251; 258; 260		Percentage of purchased volume from suppliers compliant with company's sourcing policy	n.a.	6.3 Human rights 6.4 Labour practices 6.6 Fair operating practices 6.6.6 Promoting social responsibility in the value chain
FP2	12-13; 174-177; 188-189; 196; 203; 205; 251		Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	n.a.	6.3 Human rights 6.4 Labour practices 6.6 Fair operating practices 6.6.6 Promoting social responsibility in the value chain

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
CATEGORY: ENVIRONMENTAL					
ASPECT: MATERIALS					
G4-DMA	172-173; 188; 230-233; 269; 277		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN1	23; 176; 188; 218		Materials used by weight or volume	VI. Environment	6.5.4 Sustainable resource use
G4-EN2	218; 232; 263		Percentage of materials used that are recycled input materials	VI. Environment	6.5.4 Sustainable resource use
ADDITIONAL DISCLOSURE: ENERGY					
G4-DMA	12-13; 233-239; 241; 245-246; 276; 295		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN3	236		Energy consumption within the organization	VI. Environment	6.5.4 Sustainable resource use
G4-EN5	236		Energy intensity ratio	VI. Environment	6.5.4 Sustainable resource use
G4-EN6	222-223; 235-239; 247; 276; 295		Reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives	VI. Environment	6.5.4 Sustainable resource use 6.5.5 Climate change mitigation and adaptation
ASPECT: WATER					
G4-DMA	239-242; 277; 296		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN8	239		Total water withdrawal by source	VI. Environment	6.5.4 Sustainable resource use
G4-EN9	239		Water sources significantly affected by withdrawal of water	VI. Environment	6.5.4 Sustainable resource use

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-EN10	239		Percentage and total volume of water recycled and reused	VI. Environment	6.5.4 Sustainable resource use
ASPECT: BIODIVERSITY					
G4-DMA	173-174; 188-189; 250		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN11	250		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	VI. Environment	6.5.6 Protection of the environment, biodiversity and restoration of natural habitats
G4-EN12	250		Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	VI. Environment	6.5.6 Protection of the environment, biodiversity and restoration of natural habitats
ASPECT: EMISSIONS					
G4-DMA	12-13; 215-217; 242		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN15	215; 243		Direct greenhouse gas (GHG) emissions (Scope 1)	VI. Environment	6.5.5 Climate change mitigation and adaptation
G4-EN16	215; 243		Energy indirect greenhouse gas (GHG) emissions (Scope 2)	VI. Environment	6.5.5 Climate change mitigation and adaptation
G4-EN17	215; 245		Other indirect greenhouse gas (GHG) emissions (Scope 3)	VI. Environment	6.5.5 Climate change mitigation and adaptation
G4-EN18	243		Greenhouse gas (GHG) emissions intensity	VI. Environment	6.5.5 Climate change mitigation and adaptation
G4-EN19	243; 276		Reduction of greenhouse gas (GHG) emissions	VI. Environment	6.5.5 Climate change mitigation and adaptation
G4-EN20	245		Emissions of ozone-depleting substances (ODS)	VI. Environment	6.5.3 Prevention of pollution 6.5.5 Climate change mitigation and adaptation
G4-EN21		Ferrero doesn't produce other significant air emissions	NOx, SOx, and other significant air emissions	VI. Environment	6.5.3 Prevention of pollution

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ASPECT: EFFLUENTS AND WASTE					
G4-DMA	239-240; 248-249; 275; 296		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN22	240		Total water discharge by quality and destination	VI. Environment	6.5.3 Prevention of pollution 6.5.4 Sustainable resource use
G4-EN23	248		Total weight of waste by type and disposal method	VI. Environment	6.5.3 Prevention of pollution
G4-EN24	249		Total number and volume of significant spills	VI. Environment	6.5.3 Prevention of pollution
ASPECT: PRODUCTS AND SERVICES					
G4-DMA	231-235; 237-242; 262-263		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN27	231-235; 237-242; 263-265		Extent of impact mitigation of environmental impacts of products and services	VI. Environment	6.5.3 Prevention of pollution 6.5.4 Sustainable resource use 6.5.5 Climate change mitigation and adaptation 6.7.5 Sustainable consumption
G4-EN28	227; 231-232		Percentage of products sold and their packaging materials that are reclaimed by category	VI. Environment	6.5.3 Prevention of pollution 6.5.4 Sustainable resource use 6.7.5 Sustainable consumption
ASPECT: COMPLIANCE					
G4-DMA	27		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN29	27		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	VI. Environment	4.6 Respect for the rule of law
ASPECT: TRANSPORT					
G4-DMA	211-212; 241-243; 278; 291		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-EN30	215-216; 245-247; 278; 291		Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	VI. Environment	6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	10-11; 30-31; 168-169; 173-177; 188-189; 193; 196-200 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-EN32	30-31; 176-177; 188-189; 193; 199; 251		Percentage of new suppliers that were screened using environmental criteria	VI. Environment	6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain 7.3.1 Due diligence
G4-EN33	10-13; 170-171		Significant actual and potential negative environmental impacts in the supply chain and actions taken	VI. Environment	6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain 7.3.1 Due diligence
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
ASPECT: EMPLOYMENT					
G4-DMA	12-13; 36-37; 98; 104; 106-107; 133		Generic disclosures on management approach	V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA1	104-105		Total number and rates of new employee hires and employee turnover by age group, gender and region	V. Employment and Industrial Relations	6.4.3 Employment and employment relationships
G4-LA3	106-107	Currently not available for all the countries in which the Group operates; in the coming years we will further develop our data collection process	Return to work and retention rates after parental leave, by gender	V. Employment and Industrial Relations	6.4.4 Conditions of work and social protection

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ADDITIONAL DISCLOSURE: LABOR/MANAGEMENT RELATIONS					
G4-DMA	114		Generic disclosures on management approach	V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA4	114		Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	V. Employment and Industrial Relations	6.4.3 Employment and employment relationships 6.4.5 Social dialogue
FP3	114		Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	V. Employment and Industrial Relations	6.4 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue
ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	114-121; 134-135; 283		Generic disclosures on management approach	V. Employment and Industrial Relations VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA5	114		Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	V. Employment and Industrial Relations VI. Environment	6.4.6 Health and safety at work
G4-LA6	108; 117-119	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	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	V. Employment and Industrial Relations VI. Environment	6.4.6 Health and safety at work 6.8.8 Health
G4-LA8	114-115		Health and safety topics covered in formal agreements with trade unions	V. Employment and Industrial Relations VI. Environment	6.4.6 Health and safety at work

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ASPECT: TRAINING AND EDUCATION					
G4-DMA	122-128; 133; 286-287		Generic disclosures on management approach	V. Employment and Industrial Relations VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA9	126		Average hours of training per year per employee by gender, and by employee category	V. Employment and Industrial Relations VI. Environment	6.4.7 Human development and training in the workplace
G4-LA10	122-126; 286		Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	V. Employment and Industrial Relations VI. Environment	6.4.7 Human development and training in the workplace 6.8.5 Employment creation and skills development
G4-LA11	128		Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	V. Employment and Industrial Relations VI. Environment	6.4.7 Human development and training in the workplace
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	12-13; 100-103; 133; 284-285		Generic disclosures on management approach	V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA12	100-103		Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	V. Employment and Industrial Relations	6.2.3 Decision-making processes and structures 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	112		Generic disclosures on management approach	V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA13	110-111		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	V. Employment and Industrial Relations	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.8.1-6.8.2 Community involvement and development

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	10-11; 30-31; 170-171; 173-177; 188-189; 193; 196-200; 202-203 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-LA14	30-31; 76; 176-177; 188-189; 193; 199; 203;		Percentage of new suppliers that were screened using labor practices criteria	V. Employment and Industrial Relations	6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the value chain 7.3.1 Due diligence
G4-LA15	10-11; 76; 135; 170-171; 173-175		Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	V. Employment and Industrial Relations	6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the value chain 7.3.1 Due diligence
SUB-CATEGORY: HUMAN RIGHTS					
ASPECT: INVESTMENT					
G4-DMA	10-11; 30-31; 76; 170-171; 173-177; 188-189; 193; 196-200; 202-203		Generic disclosures on management approach	IV. Human Rights	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR1	30-31; 76; 176-177; 188-189; 193; 199; 203		Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	IV. Human Rights	6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain
ASPECT: NON-DISCRIMINATION					
G4-DMA	27 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment		Generic disclosures on management approach	IV. Human Rights V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-HR3	27		Total number of incidents of discrimination and corrective actions taken	IV. Human Rights V. Employment and Industrial Relations	6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	30-31; 76; 114; 173-175 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment		Generic disclosures on management approach	IV. Human Rights V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR4	30-31; 76; 163-175		Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	IV. Human Rights V. Employment and Industrial Relations	6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.8 Civil and political rights 6.3.10 Fundamental principles and rights at work 6.4.5 Social dialogue 6.6.6 Promoting social responsibility in the value chain
ASPECT: CHILD LABOR					
G4-DMA	30-31; 76; 173-177; 198-200 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment		Generic disclosures on management approach	IV. Human Rights V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR5	30-31; 76; 176-187; 197-200		Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	IV. Human Rights V. Employment and Industrial Relations	6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.6.6 Promoting social responsibility in the value chain 6.8.4 Education and culture

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ASPECT: FORCED OR COMPULSORY LABOR					
G4-DMA	30-31; 76; 173-187; 197-200 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles https://www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment		Generic disclosures on management approach	IV. Human Rights V. Employment and Industrial Relations	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR6	30-31; 76; 173-187; 197-200		Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	IV. Human Rights V. Employment and Industrial Relations	6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.10 Fundamental principles and rights at work 6.6.6 Promoting social responsibility in the value chain
ASPECT: INDIGENOUS RIGHTS					
G4-DMA	10-11; 27		Generic disclosures on management approach	IV. Human Rights	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR8	27		Total number of incidents of violations involving rights of indigenous peoples and actions taken	IV. Human Rights	6.3.4 Human rights risk situation 6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.8 Civil and political rights 6.6.7 Respect for property rights 6.8.3 Community involvement
ASPECT: ASSESSMENT					
G4-DMA	30-31; 76; 173-187; 197-200		Generic disclosures on management approach	IV. Human Rights	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR9	30-31; 76; 173-187; 197-200		Total number and percentage of operations that have been subject to human rights reviews or impact assessments	IV. Human Rights	6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	10-11; 30-31; 76; 173-177; 188-189; 193; 196-200; 202-203 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	IV. Human Rights	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-HR10	30-31; 76; 174-177; 197-200		Percentage of new suppliers that were screened using human rights criteria	IV. Human Rights	6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain
G4-HR11	30-31; 76; 173-187; 197-200		Significant actual and potential negative human rights impacts in the supply chain and actions taken	IV. Human Rights	6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain
SUB-CATEGORY: SOCIETY					
ASPECT: LOCAL COMMUNITIES					
G4-DMA	31; 60-61; 138-151 174-185; 193-194; 197-200; 203; 215-217; 280-281; 298-303		Generic disclosures on management approach	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-S01	31; 60-61; 138-147-151 176-187; 193-194; 197-200; 202; 215-217; 280-281; 298-303		Percentage of operations with implemented local community engagement, impact assessments, and development programs	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.5.1-6.5.2 The environment 6.5.3 Prevention of pollution 6.8 Community involvement and development
G4-S02	31; 60-61; 176-187; 193-194; 197-200; 202; 215-217		Operations with significant actual and potential negative impacts on local communities	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.5.3 Prevention of pollution 6.8 Community involvement and development
ASPECT: ANTI-CORRUPTION					
G4-DMA	27 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	VII. Combating bribery, bribe solicitation and extortion	6 Guida alle materie fondamentali della responsabilità sociale 7.3.1 Due diligence 7.4.3 Integrare la responsabilità sociale nella governance di un'organizzazione, nei sistemi e nelle procedure 7.7.3 Valutare i progressi dell'organizzazione e le performance sulla responsabilità sociale 7.7.5 Migliorare le performance

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-S04	27		Communication and training on anti-corruption policies and procedures	VII. Combating bribery, bribe solicitation and extortion	6.6.1-6.6.2 Fair operating practices 6.6.3 Anti-corruption 6.6.6 Promoting social responsibility in the value chain
G4-S05	27		Confirmed incidents of corruption and actions taken	VII. Combating bribery, bribe solicitation and extortion	6.6.1-6.6.2 Fair operating practices 6.6.3 Anti corruption
INFORMATIVA AGGIUNTIVA: PUBLIC POLICY					
G4-DMA	https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	VII. Combating bribery, bribe solicitation and extortion	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-S06	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		Total value of political contributions by country and recipient/beneficiary	VII. Combating bribery, bribe solicitation and extortion	6.6.1-6.6.2 Fair operating practices 6.6.4 Responsible political involvement
ASPECT: ANTI-COMPETITIVE BEHAVIOR					
G4-DMA	27; 30-31		Generic disclosures on management approach	X. Competition	6.6.1-6.6.2 Fair operating practices 6.6.5 Fair competition 6.6.7 Respect for property rights
G4-S07	27; 30-31		Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	X. Competition	6.6.1-6.6.2 Fair operating practices 6.6.5 Fair competition 6.6.7 Respect for property rights
ASPECT: COMPLIANCE					
G4-DMA	27		Generic disclosures on management approach	X. Competition XI. Taxation	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
G4-S08	27		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	X. Competition XI. Taxation	4.6 Respect for the rule of law
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	31; 138-147; 176-187; 193-194; 197-200; 203; 215-217		Generic disclosures on management approach	n.a.	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-S09	31; 138-147; 176-187; 193-194; 203; 197-200; 215-217		Percentage of new suppliers that were screened using criteria for impacts on society	n.a.	6.3.5 Avoidance of complicity 6.6.1-6.6.2 Fair operating practices 6.6.6 Promoting social responsibility in the value chain 6.8.1-6.8.2 Community involvement and development 7.3.1 Due diligence
G4-S010	31; 176-187; 193-194; 197-200; 203; 215-217		Significant actual and potential negative impacts on society in the supply chain and actions taken	n.a.	6.3.5 Avoidance of complicity 6.6.1-6.6.2 Fair operating practices 6.6.6 Promoting social responsibility in the value chain 6.8.1-6.8.2 Community involvement and development 7.3.1 Due diligence
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	39-43; 27; 44-51; 66-73; 259-260 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	VI. Environment VIII. Consumer interests	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-PR1	30-31; 39-40; 44-45; 66-73		Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	VI. Environment VIII. Consumer interests	6.7.1-6.7.2 Consumer issues 6.7.4 Protecting consumers' health and safety 6.7.5 Sustainable consumption 6.8.8 Health
G4-PR2	27; 50		Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	VI. Environment VIII. Consumer interests	4.6 Respect for the rule of law 6.7.1-6.7.2 Consumer issues 6.7.4 Protecting consumers' health and safety 6.7.5 Sustainable consumption 6.8.8 Health

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
FP5	49; 260-261; 273; 295		Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	VI. Environment VIII. Consumer interests	6.7.4 Protecting consumers' health and safety
FP6	40-41		Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	VI. Environment VIII. Consumer interests	6.7.5 Sustainable consumption
FP7	Ferrero products contain fiber and micronutrients like vitamins and minerals, naturally present in the raw materials used, without artificial supplements		Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	VI. Environment VIII. Consumer interests	6.7.5 Sustainable consumption
ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	52-59; 227; 274		Generic disclosures on management approach	VIII. Consumer interests	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-PR3	52-53; 57-59; 227		Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	VIII. Consumer interests	6.7.1-6.7.2 Consumer issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.4 Protecting consumers' health and safety 6.7.5 Sustainable consumption 6.7.9 Education and awareness
ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	52-59		Generic disclosures on management approach	VIII. Consumer interests	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-PR7	54-56		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	VIII. Consumer interests	4.6 Respect for the rule of law 6.7.1-6.7.2 Consumer issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
ASPECT: COMPLIANCE					
G4-DMA	27		Generic disclosures on management approach	VIII. Consumer interests	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
G4-PR9	27		Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	VIII. Consumer interests	4.6 Respect for the rule of law 6.7.1-6.7.2 Consumer issues 6.7.6 Consumer service, support, and complaint and dispute resolution
ADDITIONAL DISCLOSURE: CUSTOMER PRIVACY					
G4-DMA	27		Generic disclosures on management approach	VIII. Consumer interests	6.7.1-6.7.2 Consumer issues 6.7.7 Consumer data protection and privacy
FOOD PROCESSING SECTOR DISCLOSURES					
ASPECT: HEALTHY AND AFFORDABLE FOOD					
G4-DMA	39-43; 60-61; 148-151; 275		Generic disclosures on management approach	n.a.	n.a.
ASPECT: ANIMAL WELFARE					
G4-DMA	30-31; 38; 204 https://www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles		Generic disclosures on management approach	n.a.	6. Guidance on social responsibility core subjects 7.3.1. Due diligence 7.4.3. Building social responsibility into an organization's governance, systems and procedures 7.7.3. Reviewing an organization's progress and performance on social responsibility 7.7.5. Improving performance
FP9		Ferrero doesn't raise, transport or process animals	Percentage and total of animals raised and/or processed, by species and breed type	n.a.	4.4 Ethical behaviour 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption
FP10		Ferrero doesn't raise, transport or process animals	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic	n.a.	4.4 Ethical behaviour 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption
FP11		Ferrero doesn't raise, transport or process animals	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	n.a.	4.4 Ethical behaviour 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption

GRI-G4 & FPSD Disclosures on Management Approach (DMA) and GRI Indicators	Page	Omissions	Description	OECD Guidelines for Multinational Enterprises	ISO 26000 Core social responsibility subjects and themes
FP12		Ferrero doesn't raise, transport or process animals	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	n.a.	4.4 Ethical behaviour 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption
FP13		Ferrero doesn't raise, transport or process animals	Total number of incidents of significant non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals	n.a.	4.4 Ethical behaviour 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption

INDEPENDENT AUDITORS' REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

To the Board of Directors of Ferrero International S.A.

We have performed a limited assurance engagement on the corporate social responsibility report (the "sustainability report") of the Ferrero Group (the "Group") as of August 31st, 2015.

Directors' responsibility on the sustainability report

The Directors are responsible for the preparation of the sustainability report in accordance with the "G4 Sustainability Reporting Guidelines" (2013) and "Food Processing Sector Disclosures" (2014) both issued by the Global Reporting Initiative (GRI), as stated in the paragraph "About this report" of the sustainability 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.

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.

These procedures included inquiries, primarily with the Group personnel responsible for the preparation of the sustainability report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the sustainability report consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial data reported in the paragraphs "The Group" included in the sustainability report with those reported in the Group's consolidated financial statements as of August 31st, 2015, on which Deloitte Audit Société à responsabilité limitée issued the auditors' report, dated February 25th, 2016;
- 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;

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Trieste Verona

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- 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 guidelines 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 guidelines 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 of the Ferrero Group as of August 31st, 2015 is not prepared, in all material respects, in accordance with the "G4 Sustainability Reporting Guidelines" (2013) and "Food Processing Sector Disclosures" (2014) both issued by the *Global Reporting Initiative (GRI)*, as stated in the paragraph "About this report" of the sustainability report.

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Amelio
 Partner
 Sustainability Services

Milan, Italy
 September 9th, 2016

This report has been translated into the English language solely for the convenience of international readers.

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