

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.

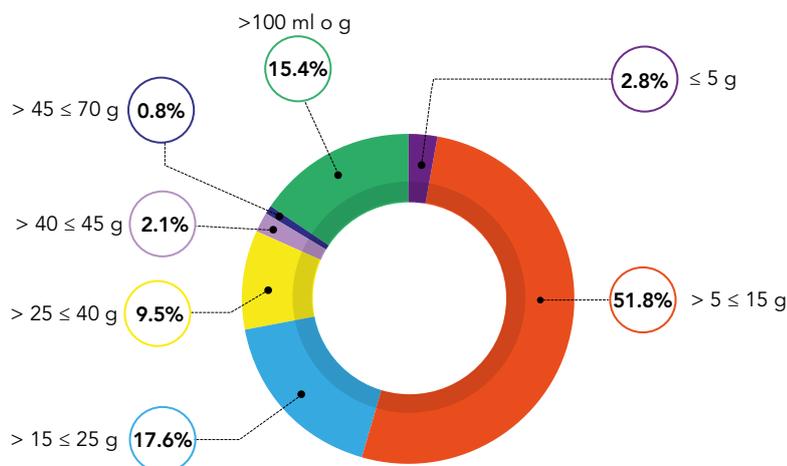
FERRERO'S PORTIONS: RECOMMENDED CONSUMPTION SUPPORTED BY INDIVIDUAL PACKAGING

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.

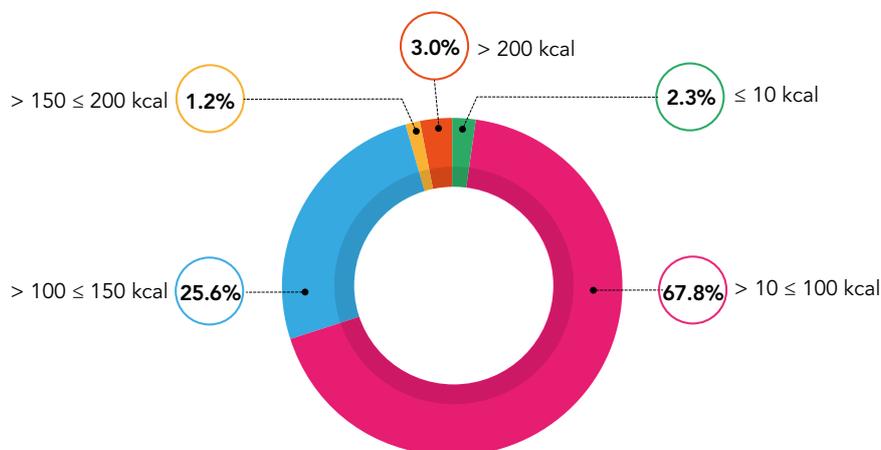
PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS* PER PORTION, IN GRAMS¹



* % 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, BME (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 Esthé
6. KINDER® Surprise
7. KINDER® Bueno
8. KINDER® Chocolate
9. KINDER® Joy
10. KINDER® MilkSlice
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.

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.

**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.

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.

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

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

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.

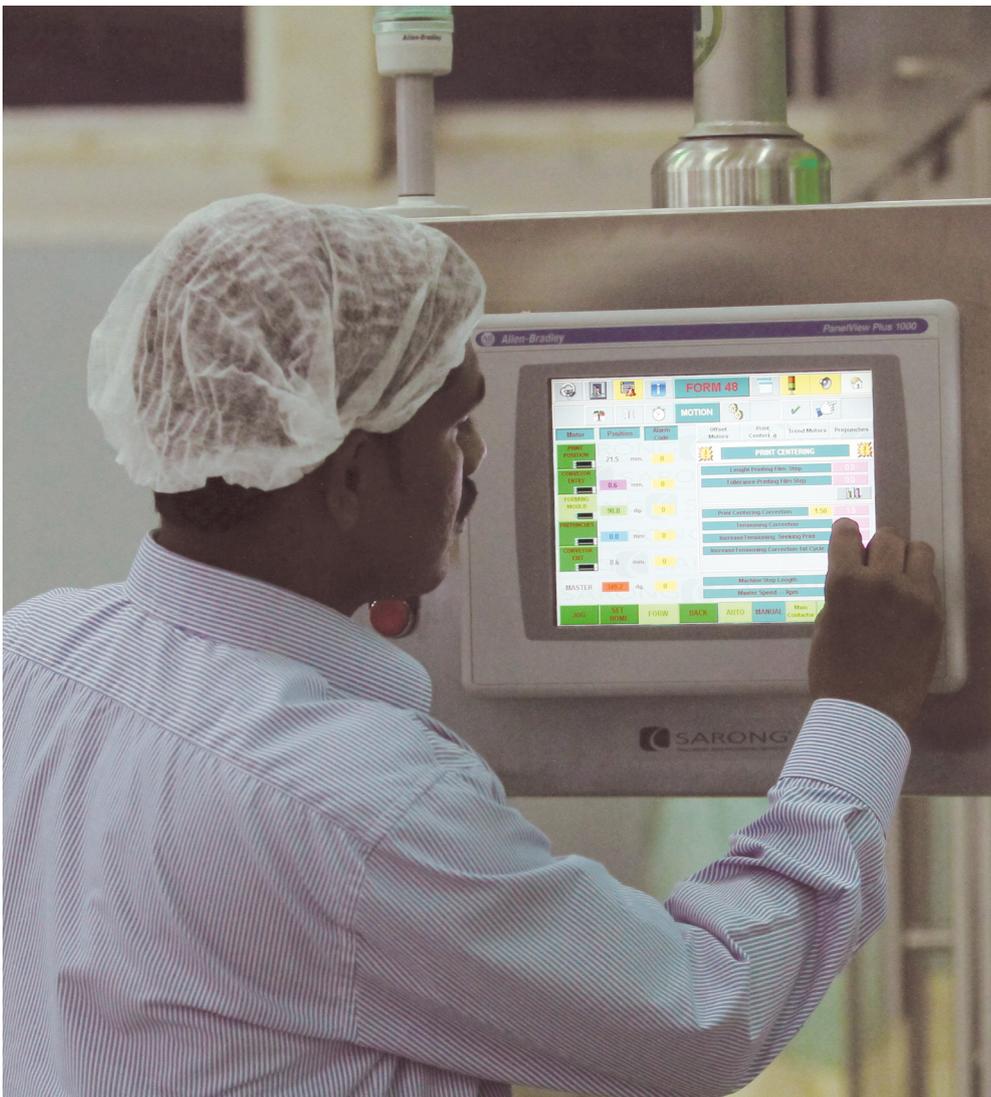
CASES OF NON-COMPLIANCE

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.

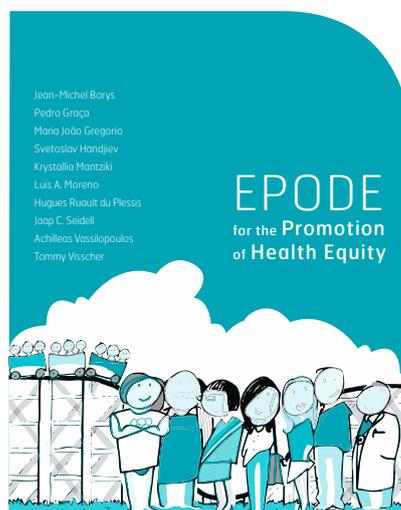
Responsible communication

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": 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;
- "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



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.

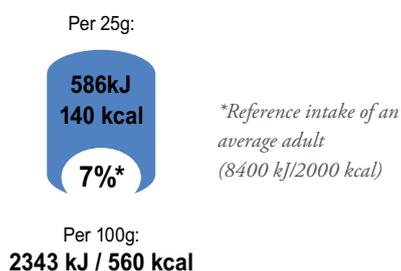
EU regulation 1169/2011 on the provision of food information to consumers came into force on December 13th 2014, setting new requirements for food product labels. In line with the requirements of this regulation, the Ferrero **Group has decided to continue providing nutritional information on the front 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:

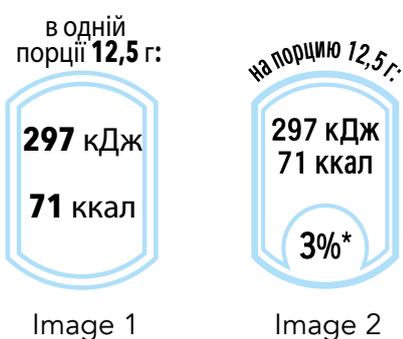
- the energy value and the amount of nutrients provided by 100 g of the product and per portion, in kilocalories and in kiloJoules;

- 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.



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/ijpo.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:

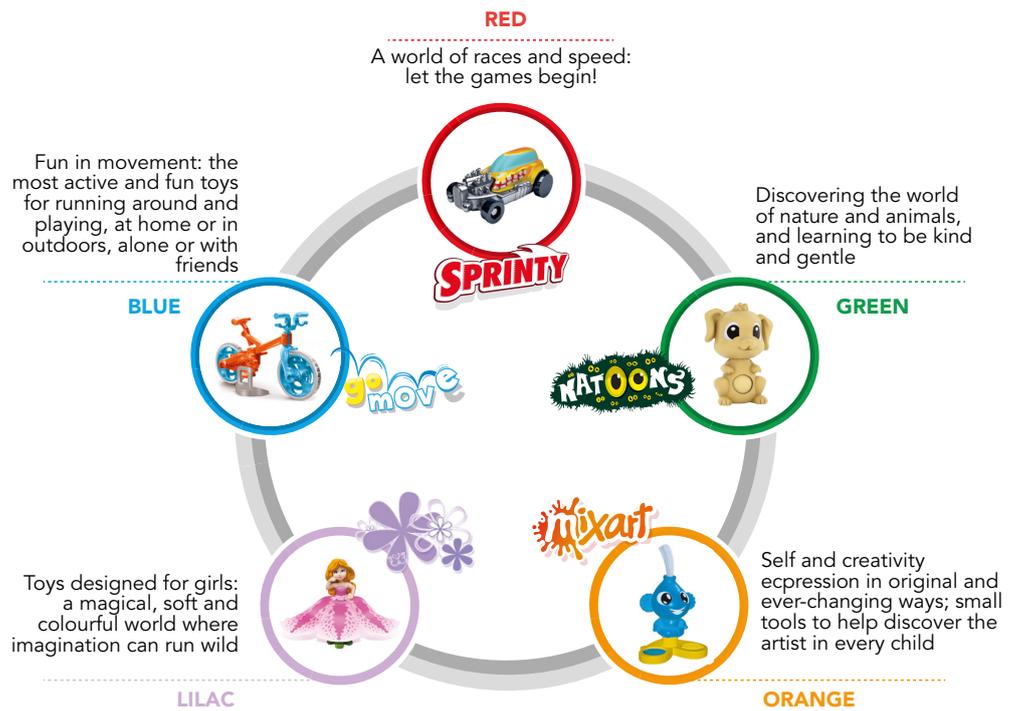
COGNITIVE DEVELOPMENT	The process of assembling the toys stimulates logical thinking and putting actions into a sequence, developing both problem-solving skills and curiosity.
EMOTIONAL DEVELOPMENT	The satisfaction achieved by reaching a goal (assembling a toy) and by interacting with small toys designed 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
2. Creative phase: first ideas and analysis
3. Design prototypes and pre-evaluations
4. Researches on mums and kids
5. Certifications and voluntary tests
6. Production and quality checks
7. Responsible marketing

1. Marketing strategy

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

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

- Children and Parents' needs
- Trends in the world of toys
- Co- creative researches with children
- Technology and innovation influence

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

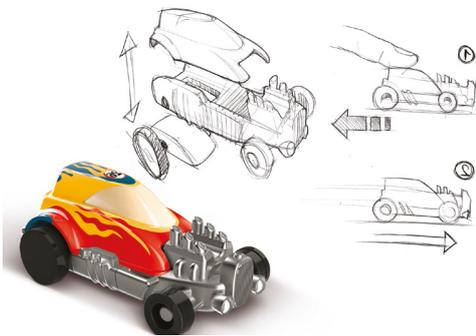
- Safety and quality
- Feasibility
- Costs
- Fitting inside the capsule

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.

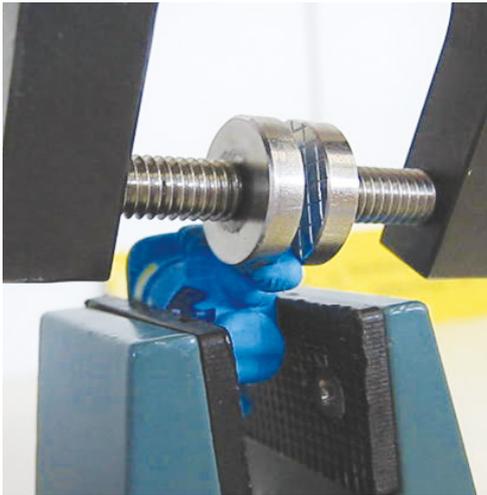
b. VOLUNTARY TESTS

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:



a UL company



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.

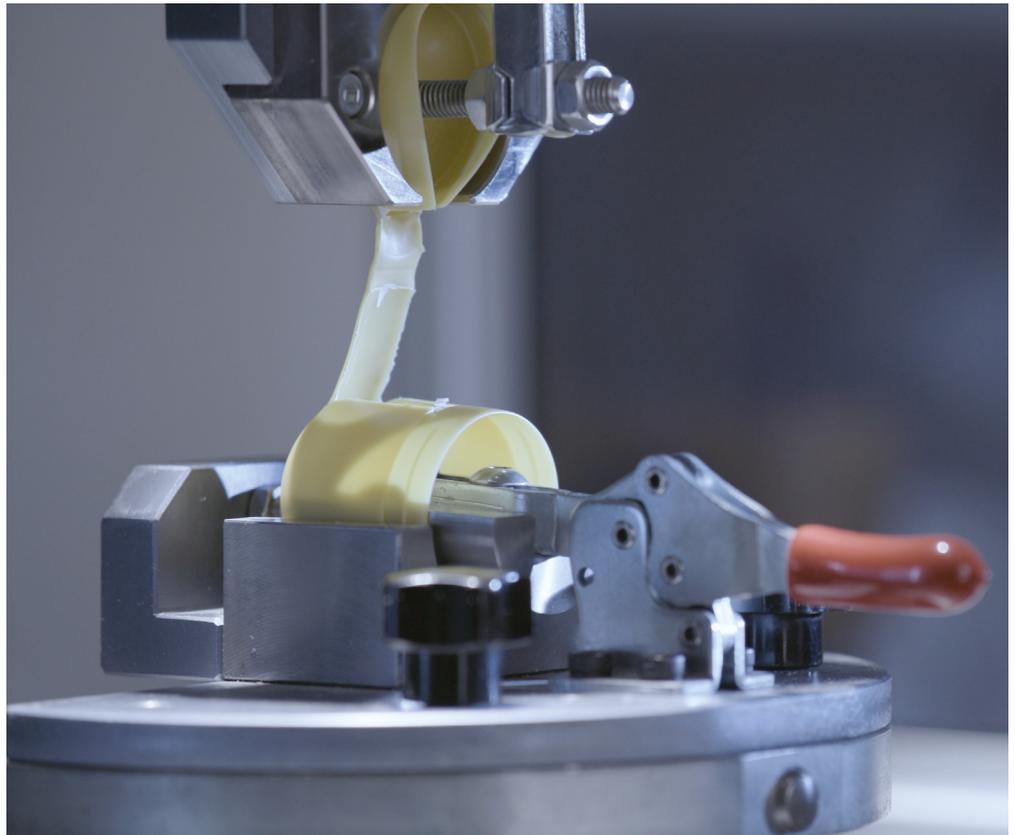
The Ferrero Group has devised and implemented a **Code of Conduct for suppliers around the world** on the ethical and environmental aspects of manufacturing surprise toys. This makes it possible both to **maintain the desired high qualitative standards** and to keep sharing the transfer of know-how and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

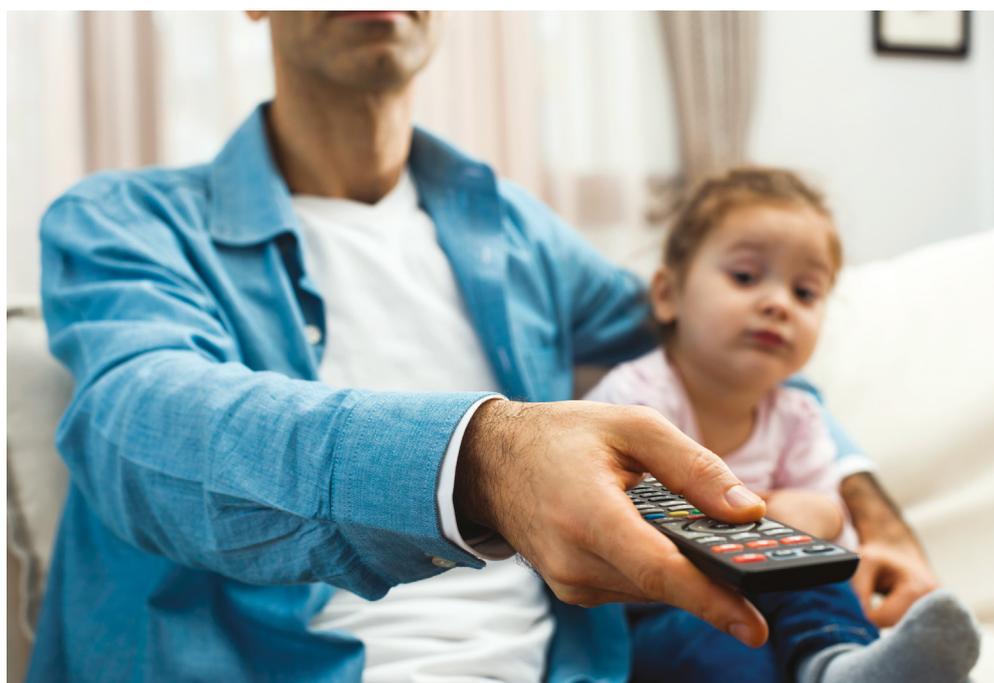
Ferrero has always believed in the crucial role played by parents in the education of their children with regard to a balanced diet and healthy, active lifestyles. So advertisements and commercial communications relating to our products are directed, in terms of content and in the purchase of advertising 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.

